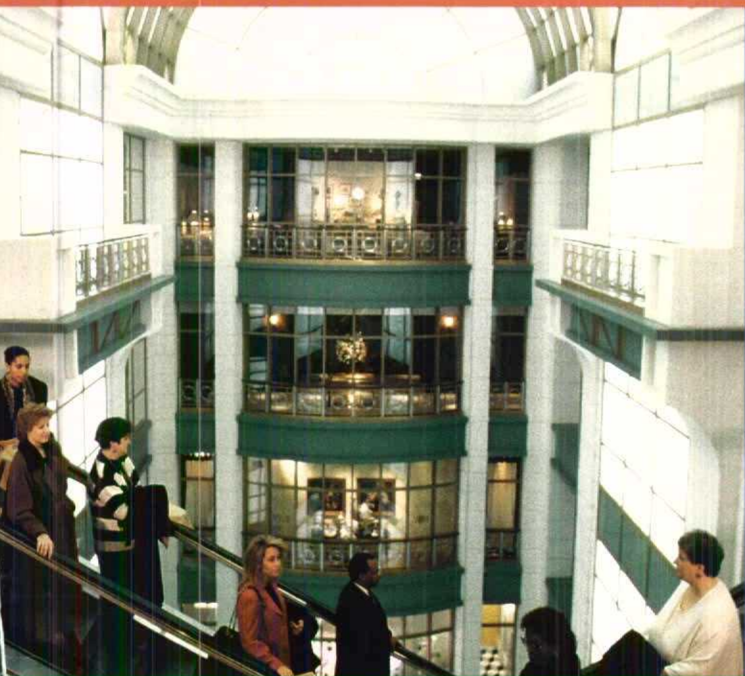


TARGET

MERVYN'S

ANNUAL REPORT
92

DAYTON HUDSON CORPORATION

STRATEGIES FOR IMPROVING PROFITABILITY

DAYTON'S

HUDSON'S

Marshall Field's

THE CHAIRMAN'S REPORT TO SHAREHOLDERS

STRATEGIES FOR IMPROVING PROFITABILITY:

LOWER EXPENSE RATE

IMPROVE TREND MERCHANDISING

PROVIDE GREATER VALUE

OFFER BETTER CUSTOMER SERVICE

INCREASE MARKET SHARE

OPERATE RESPONSIBLY

FINANCIAL REPORT:

FINANCIAL SUMMARY

FINANCIAL REVIEW

ANALYSIS OF OPERATIONS

FINANCIAL STATEMENTS, NOTES AND ANALYSIS

SUMMARY FINANCIAL & OPERATING DATA

DIRECTORS AND MANAGEMENT

THE CORPORATION AT A GLANCE

CORPORATE INFORMATION ON BACK COVER

ANNUAL REPORT 92

DAYTON HUDSON CORPORATION

As one of America's largest general merchandise retailers, Dayton Hudson Corporation strives to be a premier growth company and corporate citizen. We operate each of our divisions to be a major force in its geographic market, retail category and customer segment.

Target, which accounts for 58% of our revenues, is a discount chain of 506 stores in 32 states offering great values on quality basic and trend hardgoods and softlines.

Mervyn's, which contributes 25% of our revenues, is a moderate-price family department store chain that emphasizes fashionable name-brand and private-label casual apparel and softgoods for the home through 265 stores in 15 states.

The Department Store Division, which provides 17% of our revenues, offers fashion leadership and superior service through 63 Dayton's, Hudson's and Marshall Field's stores in nine states.

We are committed to: serving customers better than the competition, being a lower-cost distributor of merchandise, innovating to make continuous improvements, achieving consistent earnings growth, building strong partnerships with vendors and providing leadership through corporate giving and employee volunteerism in the communities we serve. As we fulfill these commitments, we provide shareholders with attractive returns.

FINANCIAL HIGHLIGHTS

(Millions of Dollars, Except Per Share Data)	1992	1991	Percent Change
FOR THE YEAR			
Revenues	$17,927	$16,115	11%
Net earnings	$ 383	$ 301	28%
Fully diluted earnings per share	$ 4.82	$ 3.72	30%
Cash dividends declared per share	$ 1.54	$ 1.46	5%
AT YEAR END			
Common shares outstanding	71,384,000	71,235,000	
Number of shareholders	12,196	12,416	
Retail square feet	87,362,000	80,309,000	
Number of stores	834	770	

To Our Shareholders:

I AM GENERALLY PLEASED WITH DAYTON HUDSON CORPORATION'S PERFORMANCE IN 1992. OUR OVERALL IMPROVEMENT FROM LAST YEAR REFLECTS OUR ADHERENCE TO CERTAIN STANDARDS WE SET FOR INCREASING COST CONTROLS AND SALES PRODUCTIVITY. IN PARTICULAR, WE ACHIEVED OUR SALES, PROFIT AND EXPENSE OBJECTIVES AT TARGET AND AT OUR DEPARTMENT STORE DIVISION. WHILE WE MADE OUR EXPENSE AND SALES OBJECTIVES AT MERVYN'S, ITS PROFIT PERFORMANCE OBJECTIVE WAS NOT MET DUE TO HIGH INVENTORIES, LACK OF FASHION IMPACT AND A POOR CALIFORNIA ECONOMY. IN LAST YEAR'S LETTER, I COMMITTED TO ACHIEVE FOUR PERFORMANCE OBJECTIVES IN 1992:

	1992 Results
INCREASE MARKET SHARE	*Market share increased overall in 1992, with particularly good increases in the majority of Target's and Mervyn's largest markets.*
LOWER EXPENSE RATE	*We lowered our expense rates in each of our divisions in 1992. While I do not believe we can lower our expenses at the same rate, we fully expect that our expense rates will decline again in 1993.*
INCREASE EARNINGS	*Earnings per share increased 30% over last year to $4.82 per share.*
LOWER DEBT RATIO	*We lowered our debt ratio by 2 percentage points in 1992. We will continue to lower our debt ratio by 1 to 2 percentage points a year over the next several years.*

1992 | 1992 was definitely better than 1991. We saw tangible benefits from the programs and systems we have put in place in recent years. We achieved the performance objectives we set for ourselves. And, we set the stage for continued gains in 1993 and beyond.

We committed to tough expense rate reduction goals for 1992 in all three operating divisions. We met them without exceptional sales growth. We believe we have put the processes in place that will enable us to continue to reduce expenses. Specifically...

• Target is leading the industry by using hand-held radio scanners that enable sales associates to replenish shelves from back-room inventory more efficiently. A new automated markdown system is increasing gross margin while reducing administrative expense.

• Mervyn's is receiving more merchandise pre-hung and pre-tagged from vendors, reducing distribution and back-room handling costs. Mervyn's also has taken expense out of the weekly tabloid costs.

• The Department Store Division consolidated its warehousing in four centers instead of six and made significant reductions within its management ranks.

Driving costs down assures profitable growth opportunities.

Under Vice Chairman Henry DeNero's sponsorship, we also have begun to develop new synergies among our operating divisions. We expect to increase efforts such as joint purchasing and the sharing of systems, support services and information on best practices. Our goal is to boost long-term performance by sharing where it adds value, curbs expenses and spreads good ideas.

Cutting costs and improving how we do things have become routine for our people.

Our overall market share grew again last year. Target's market share grew with its store expansion and comparable-store sales increases. Mervyn's increased share in the majority of its markets through promotion and expansion. The Department Store Division remains the preeminent upscale retailer in its markets. Retailing in the 1990s is all about capturing market share; we must continue these gains to remain successful.

In 1992, net income increased 28% and fully diluted earnings per share increased 30% to $4.82 per share.

We lowered our 1992 debt ratio by 2 percentage points.

OUR BUSINESSES | We remain committed to the viability of all three of our business strategies.

Under Bob Ulrich's leadership, Target continued to perform well in 1992 against its key competitors. Target has major long-term growth potential and remains the principal growth strategy for the Corporation.

Mervyn's performance in 1992 did not meet our standards. Its results were affected by the recession in California and by less than satisfactory execution. Mervyn's strategic focus is now clearly defined and a series of initiatives are well underway to deliver more fashion and trend orientation, broader assortments, more focused values and more exciting stores. We also are committed to improved customer service, inventory management and logistics. With these efforts, we achieved a turnaround in Mervyn's performance during the fourth quarter. Joe Vesce, Mervyn's new CEO, and I are committed to a significant profit increase in 1993.

The Department Store Division provides fashion leadership and a strong cash flow for the Corporation. Department stores put more fashion under one roof than any other form of retailing. Their unique mix of product and service is well-positioned for the increasing numbers of older, more affluent and highly sophisticated consumers we expect throughout the 1990s. Steve Watson's leadership and commitment to fashion, value, service and expense control make the Department Store Division a business with strong potential.

The investments we have made in technology and distribution are providing good payback for us.

• Target increased its in-stock performance in 1992 while lowering its per-store inventory levels.

• Use of technology is reducing Mervyn's distribution center payroll and associated costs while increasing throughput.

• The Department Store Division is using new systems to target its marketing to proprietary and third-party credit card customers.

I am pleased with the upturn in our performance in 1992 over last year. Now we must demonstrate that we can achieve earnings growth on a consistent basis.

1993 | This annual report features our strategies for improving profitability in 1993. Our entire management team shares my continuing commitment to:

• lower our expense rates again this year,

• improve our execution of trend merchandising,

• deliver greater value to all of our customers,

• offer even better customer service,

• increase market share at Target and Mervyn's, while maintaining the Department Store Division's market share, and

• increase earnings again this year.

Today's customers have more choices – and less time to shop – than ever. Value, fashion, service and presentation become more important points of differentiation when so many retailers offer similar merchandise.

Left to Right: Henry T. DeNero, *Vice Chairman, Dayton Hudson Corporation;* **Joseph C. Vesce,** *Chief Executive Officer and President, Mervyn's;* **Kenneth A. Macke,** *Chairman and Chief Executive Officer, Dayton Hudson Corporation;* **Robert J. Ulrich,** *Chairman and Chief Executive Officer, Target;* **Stephen E. Watson,** *President, Dayton Hudson Corporation and Chairman and Chief Executive Officer, the Department Store Division.*

Target has narrowed the gap with its competitors and will continue to be price competitive. Mervyn's Great Value program has sale prices everyday on more than 100 product lines customers want. The Department Store Division is reemphasizing its opening price points. Delivering better value for our customers remains a high priority.

The Dayton family built this company on a broad definition of success: we succeed when we are good stewards for all stakeholders. This notion guides how we operate the business, reward shareholders, treat employees and participate in community life.

Our 170,000 talented and dedicated employees in 33 states across America contribute daily to our successes and to our leadership in the communities we serve.

We remain steadfast in our commitment to corporate responsibility. We give back to the communities where we do business because we know it makes them stronger. Being responsible is part of our identity and it sets us apart. Since 1946, we have invested five percent of our federally taxable income in social action and arts programs. This record is unmatched in all of retailing.

Our governance system is based on three principles: independence, information sharing and management review. We have 10 independent directors on our 12-member board. They review the CEO's performance against predetermined standards, chair key committees and serve for limited terms. Board members are fully briefed before each meeting and may request any additional information they need. This open, active system works for us: our board has guided significant growth and change in our operations in the last ten years.

The membership of our Board of Directors changed during the year. Bruce K. MacLaury, a director since 1977 and vice chair of the Executive Committee of the Board since 1988, retired after 15 years of service to the Corporation. John A. Rollwagen, a director since 1986, was named United States Deputy Secretary of Commerce, requiring that he resign from the Board. We appreciate the strong contributions of both of these directors.

Change is occurring at such an accelerated pace that just doing the same things better is no longer enough. We are prepared to respond to change in all aspects of our business whenever it will increase our profitability and our return to shareholders. We see great opportunity in change...great opportunity to make Dayton Hudson a consistently high-performing corporation.

Sincerely,

Kenneth A. Macke
Chairman of the Board and
Chief Executive Officer
April 2, 1993

STRATEGY:

Lower Expense Rate:

①

②

③

① **Target's bar-code scanning equipment provides up-to-the-minute information on stock levels. It is an important part of Target's computerized system to reduce costs by managing inventory more effectively.**

② **Satellite communication and closed-circuit videoconferencing are state-of-the-art for all of our operating divisions, including the Department Store Division, which launched the Satellite Communication Network in 1992.**

③ **Computer-assisted scanning systems enable all of our operating divisions to process and distribute inventory efficiently, right down to the loading of trucks headed for individual stores.**

"AS A TEAM, WE COMMITTED TO TOUGH EXPENSE RATE GOALS FOR 1992 FOR ALL THREE DIVISIONS. WE MET THEM THROUGH EXPENSE DISCIPLINE, WITHOUT EXCEPTIONAL SALES GROWTH, AND TOOK STEPS THAT WILL PAVE THE WAY FOR CONTINUED REDUCTIONS IN 1993. IMPROVING BUSINESS PROCESSES THROUGH TECHNOLOGY HAS BECOME SECOND NATURE FOR OUR PEOPLE."

Kenneth A. Macke

STRATEGY 92

TARGET | One of the largest drivers of expense in the stores is inventory. By automating the inventory flow process, we have been able to reduce inventory per store while improving in-stock performance. We are now able to more accurately order the inventory our stores need. More of the inventory is taken directly to the selling floor on delivery without ever being stored in the stockroom. We accomplish this with portable scanning equipment and radio transmitters, electronic vendor communication and more flexible distribution centers. In 1992, Target achieved its expense rate reduction goal of 40 to 50 basis points.

MERVYN'S | Our goal for 1992 was to reduce our expense rate 50 to 100 basis points. We achieved it primarily through heightened expense discipline and improved productivity in our stores, distribution centers and headquarters. We reduced payroll expense by negotiating to have our vendors pre-ticket and hang merchandise to our specifications. By refining controls over credit transactions, we also reduced bad debt expense.

DEPARTMENT STORES | We exceeded our goal substantially and reduced our expense rate more than 200 basis points, despite the modest sales growth expected in this economy. We did it through disciplined expense management, systems improvements, advertising mix changes and warehouse consolidation. Sunday advertising magazine inserts replaced more expensive newspaper ads and performed equally well. Warehousing centralization reduced related expense significantly.

STRATEGY 93

TARGET | We are continuing to drive down our expense rate in 1993 through technology, process re-engineering and enhancements to our electronic vendor communication program. We are using artificial intelligence systems to computerize the experience and judgment of our best employees. One application is an automated markdown system, which is increasing gross margin and reducing markdown-related payroll expense. We are also updating our electronic vendor communication network to increase flexibility and speed while minimizing costs.

MERVYN'S | A major component in our 1993 expense rate reduction is our further use of technology to increase the efficiency of merchandise processing in distribution centers and stores.

Making the weekly circular more cost-effective is one of many changes Mervyn's is implementing to reduce its 1993 expense rate.

We will benefit from a full year of our vendors pre-ticketing and hanging merchandise. We are making more efficient use of advertising dollars by renegotiating paper rates and decreasing the number of pages in the tabloid.

DEPARTMENT STORES | Our long-term goal is to force expense to the lowest possible level without compromising service. We are continuing the expense discipline we adopted in 1992 as well as our emphasis on productivity and efficiency, especially in distribution and back-of-the-house operations. Systems are currently being developed to more accurately manage the flow of inventory, improving in-stock performance while reducing expenses and working capital.

STRATEGY:

Improve Trend Merchandising:

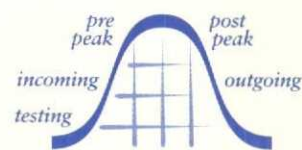
①

③

②

① By presenting clear, color-coordinated displays of trend ensembles, Target makes it easy for customers to find the latest look. ② Mervyn's is working on being faster in presenting a larger assortment of fashion merchandise than ever before. Displays are making stronger statements about Mervyn's commitment to trends, including the 60s retro look. ③ Vertical stripes make a clear, top-quality visual statement about 1993's casual trends for men at Dayton's Tommy Hilfiger department. The Department Stores are devoting more prime space to bolder fashion presentations in 1993.

"Risk, speed and trend are vital to our success in the 90s. Customers will shop wherever the newest trends are offered. To satisfy them and increase higher-margin business, we must stock more of the incoming trends – and do it more quickly. We will be wrong on a trend sometimes, but I believe the benefits are well worth the risk."



Kenneth A. Macke

Strategy 92

TARGET | Of the major discounters, Target is the most conscious of lifestyle and fashion trends. We offer more high-quality merchandise, including more fashion-forward softgoods, than our competitors. We constantly survey customers' preferences for emerging trends. If in-store tests of a trend are positive, we quickly stock up to offer a wide range of colors and silhouettes. By being in-stock as a trend peaks, we serve our customers and maximize sales at favorable margins. In 1992, major trends at Target included the hip-hop look, sports-logo apparel, American quilt-inspired home softlines, licensed "Beauty and the Beast" and "Aladdin" items, juicers and home fitness equipment.

MERVYN'S | Our customers want today's fashions now – but at good prices. By automating and reducing the product development cycle, we have gotten quicker at providing customers with the trends, quality and prices they want. However, in 1992 customers told us that our fashion offering needed attention. We immediately began reorganizing our merchandising so we could deliver more fashion in men's and women's apparel in 1993. Key trend items at Mervyn's in 1992 were junior dresses, casual career looks for less formal work environments, sports-inspired playwear and urban interpretations of denim and fleece.

DEPARTMENT STORES | Trend merchandising and fashion presentation have always been the backbones of our business. We intensified our focus on trend merchandising in 1992, concentrating on making clearer, bolder visual statements to increase our trend visibility. We also worked to improve the value offering on trend merchandise. Key trends in 1992 included patterned quilts and textiles, denim shorts for juniors and young men, bodysuits and hooded tops for juniors and misses, juicers and all-natural softgoods for the home.

Strategy 93

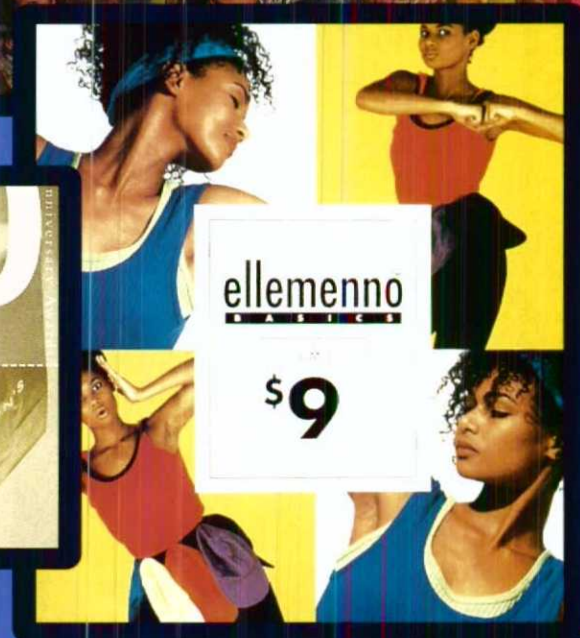
TARGET | We continue to offer unique and/or exclusive items in 1993 that reinforce our position as a trend and value leader. Our cross-departmental product development teams are working to assure that Target's trends have the quality, fashionability, price and timeliness customers want. We are also revitalizing trend presentations with bolder, color-coordinated ensemble displays. Major Target trends for 1993 include globally inspired apparel and home softgoods, items for informal home entertaining and casual work attire.

MERVYN'S | We are working to put more fashion on the sales floor, particularly in women's, men's and junior's. By year-end, we expect to have substantially reorganized merchandising into several "Worlds," each designed to better serve a specific customer segment (children's, women's, men's and home) by coordinating planning, merchandising, visual presentation and sales promotion. Customers are finding further improvements in the fashionability of our private labels and in the tailoring of merchandise assortments to suit local tastes. In addition to more fashion, our 1993 trends are 60s retro, grunge and athletic gear.

Mervyn's is working on improving its fashionability with such trends as this urban street-inspired REVOLVE outfit for boys.

DEPARTMENT STORES | Trend merchandising remains a high priority in 1993. Topping the agenda are efforts to test and roll-out strong presentations of trend merchandise in all of our stores. We are also trying to make stronger trend statements to customers via fashion shows, events, direct mail and advertising. Customers are seeing several trends this year for apparel, accessories and home: neutral tones in loose silhouettes, Southwestern/denim influences and multi-culturally inspired prints and textures.

STRATEGY: **Provide Greater Value:**



(1) Target's market position is benefiting from its program of competitive pricing on trend-right items, including the ever-popular Barbie. (2) To celebrate its 90th anniversary in 1992, Dayton's offered its credit account customers special discount coupons, part of the Division's greater use of targeted direct mail to communicate with customers and build sales. (3) Through signing and other promotional communications, Mervyn's is working hard to let customers know about its consistently impressive value offering.

"CUSTOMERS TODAY DEMAND VALUE. WHILE OUR COMPANIES SERVE THREE DIFFERENT CONSUMER SEGMENTS, VALUE IS IMPORTANT TO ALL THREE. TREND MERCHANDISING HELPS US FIND THE APPROPRIATE BALANCE OF FASHION, QUALITY AND PRICE FOR EACH OF OUR CUSTOMERS. IT IS INCREASINGLY IMPORTANT THAT WE PRESENT TO OUR CUSTOMERS IN A CLEAR, UNDERSTANDABLE MANNER." *Kenneth A. Macke*

STRATEGY 92

TARGET | Our policy is to compete directly on price with the national competition on the more than 10,000 identical items we carry. Among them are the branded commodities that drive day-to-day traffic into Target stores. We systematically shop the competition in each market to ensure that our prices are comparable. We communicate our prices through one of the most powerful advertising circulars in the industry. By leading the way with both prices and trend-right merchandise, we were able to broaden our appeal and our customer base during 1992.

MERVYN'S | In 1992, we began efforts to add more branded merchandise, to upgrade our fashion content and to improve merchandising at opening price points. By automating and reducing the product development cycle, we can put more timely private-label fashion, better quality and better prices on the selling floor 25 percent faster. Improvements in signing helped communicate our value offering more clearly.

DEPARTMENT STORES | We continued our commitments to provide moderate price points, serve a broad customer audience and offer the best quality merchandise at the best prices. Exceptional values have been clustered in a number of key departments, including moderate apparel, shoes, juniors, the Field Gear private label in men's, Kidswear in children's and Master Suite in home. Signage and visual support have been strengthened. We also sharpened our pricing on value offerings in 1992. We are sending customers the message that our department stores respect their demand for value.

STRATEGY 93

TARGET | We are continuing to aggressively compete on price and to strengthen our market position. We are forcefully promoting our role as a price leader and building a clearer competitive image. Through simple, direct and frequent institutional statements, we are working to strengthen Target's position in the mind of the consumer as an excellent source for great merchandise at low prices week in and week out.

MERVYN'S | In 1993, we are rolling out our Great Value program, offering everyday prices lower than the competition on more than 100 popular apparel lines. Items include basic and seasonal fashion, and both national brands and private labels. They are promoted in the tabloid at the Great Value price and identified in the store with special signing. We are also strengthening our opening-price offerings by lowering selected regular prices, while maintaining the same promotional price.

In an increasingly challenging retailing environment, Target's pricing program is helping to strengthen its competitive image.

DEPARTMENT STORES | We continue to develop and refine our Value Item program in 1993. We are also working to improve our merchandising of opening price points, giving the customer good quality merchandise that responds to important trends or needs at a low-threshold price. Private labels are being expanded, such as men's Field Gear, which is one of our most successful programs offering customers exceptional fashion, quality and value.

STRATEGY:

Offer Better Customer Service:

①

②

③

① Fast check-outs, good in-stock position and easy-to-find merchandise keep customers coming back to Target. ② Customers at Dayton's, Hudson's and Marshall Field's expect and receive assistance from knowledgeable, friendly sales associates. ③ The Department Stores are realizing benefits from many recent investments, including a significant upgrading of computer capacity supporting the multi-million-dollar bridal registry business.

"CUSTOMERS HAVE MORE RETAIL CHOICES – AND LESS TIME TO SHOP – THAN EVER. VALUE, FASHION, SERVICE AND PRESENTATION BECOME IMPORTANT POINTS OF DISTINCTION WHEN SO MANY RETAILERS OFFER SIMILAR MERCHANDISE. TO PROSPER, WE MUST STAY IN-STOCK, DEVELOP MORE EASY-TO-SHOP MERCHANDISE DISPLAYS AND CONTINUE TO HAVE SALES ASSOCIATES WHO ARE THE CUSTOMER'S FRIEND."

Kenneth A. Macke

STRATEGY 92

TARGET | In 1992, our customers saw more consistency in our in-stock position and our merchandise quality. These are benefits from the significant investments we have made in inventory management and product testing. We redesigned many merchandise displays to make it easier for customers to find items and make purchase decisions. Customers also continued to see faster check-outs and more help from roving customer service specialists as we incorporated company-wide many of the features of our Greatland store format, including wider aisles and better signing and lighting.

MERVYN'S | We worked to refine our merchandise displays to help customers see, evaluate and coordinate fashions more easily. Changes were initiated to make signing more informative, and color-coding of merchandise was introduced to make it easier for customers to select ensembles. Associates began spending more time on the sales floor with customer service coordinators, whose task is to help each store make consistent gains in service. Secret shoppers provide ongoing feedback on our customer service throughout the chain.

DEPARTMENT STORES | As in the past, customers continued to look to us for superior service: attentive sales consultants, package pickup, home delivery and the complimentary personal shopping service. To make shopping even easier, we began experimenting with selected self-service offerings with clearer, more informative displays and greater customer access to merchandise. Technological innovations such as the new computer-based gift registry also improved service by expanding our capacity eight-fold, to more than 400,000 brides and 80 million transactions annually.

STRATEGY 93

TARGET | We aim to operate as a guest-directed business. This means we train our employees to consider and treat customers as guests in our Target "home". Guests are entitled to appropriate service and distraction-free shopping. Employees are instructed to do what it takes to make each guest's stay pleasant and foster return visits. We are working to make sure that our customers continue to see roving customer service specialists throughout the store, more informative merchandise displays, faster check-outs and well-stocked shelves in 1993.

MERVYN'S | Our customer service plans for 1993 include the roll-out of the Delivering Quality Service training program we introduced in 1992. We are also expanding the use of handheld, wireless check-out terminals in our 25 most productive stores. The portable terminals are designed to reduce wait time at check-out. Customers are noticing our improved in-stock levels as we use satellite communication technology to help design, produce and deliver new fashions to stores more rapidly than ever before.

Staying in tune with customers' environmental concerns, the Department Stores have introduced a new series of shopping bags and boxes made from recycled materials and vegetable-based inks.

DEPARTMENT STORES | Customer service is an important part of our ability to grow sales. We are continuing efforts to make stores easier to shop by designing clearer presentations and increasing opportunities for self-service. We are also working with manufacturers to get the latest fashions on the sales floor more quickly. We continue to try to draw customers to our stores by providing fresh and exciting environments, holiday events, fashion shows, clinics, spas, dining and friendly merchandise returns.

STRATEGY: **Increase Market Share:**

"WE ARE PLEASED THAT OUR OVERALL MARKET SHARE GREW IN 1992. TARGET GREW ITS MARKET SHARE THROUGH STORE EXPANSION AND COMPARABLE-STORE SALES INCREASES. MERVYN'S INCREASED ITS SHARE IN THE MAJORITY OF ITS MARKETS THROUGH STORE GROWTH AND PRICE PROMOTION. THE DEPARTMENT STORE DIVISION REMAINED THE PREEMINENT UPSCALE RETAILER IN ITS MARKETS. RETAILING IN THE 1990S IS ALL ABOUT CAPTURING MARKET SHARE; WE MUST CONTINUE THESE GAINS TO REMAIN SUCCESSFUL."

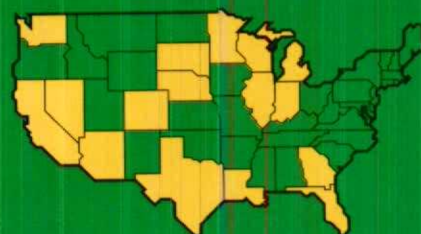
Kenneth A. Macke

CAPITAL EXPENDITURES
(MILLIONS)
SIX-YEAR EXPENDITURES: $5,817

TOTAL REVENUES
(BILLIONS)
*53-WEEK YEAR

RETAIL SQUARE FEET
(THOUSANDS)

EXPANSION STATES
(PAST FIVE YEARS)



EXPANSION STATES 1993

STRATEGY 92

TARGET | Our market share has grown through expansion in existing markets and entry into new markets in the Northwest, West, South and Southeast. Our retail square footage has increased 65% since 1987 and 11% in 1992. We have opened 196 new stores in the last five years, including 45 in 1992. Since 1990, 17 Greatland stores and 18 stores designed for smaller markets have opened. As we have become more competitive through sharper pricing, our comparable-store revenues have averaged a 5% increase each year since 1987. Revenues per retail square foot were $209 in 1992, up 2% from 1991 and 8% from 1987.

MERVYN'S | Mervyn's has increased market share since 1987 through build-backs and remodels in existing markets and by building stores in new markets in the Southwest, Pacific Northwest and Southeast. Our retail square footage has grown 35% over the past five years. We slowed square footage growth to 9% in 1992 in order to concentrate on strengthening our base business and reorganizing merchandising. Promotional pricing, especially in the challenging California market, has also enhanced our market share. Comparable-store revenues have averaged 3% growth since 1987. Revenues per retail square foot were $223 in 1992, flat with 1991 and up 3% from 1987.

DEPARTMENT STORES | The department store industry has lost market share overall in recent years. We, however, have remained the premier, upscale, full-service retailer in our core markets. We attribute this in part to our efforts to improve the value, quality and presentation of fashions as we regularly remodeled space and added new and replacement stores. Including Marshall Field's, our retail square footage has grown 78% since 1987, and increased slightly in 1992. Comparable-store revenues have averaged a 3% increase each year since 1987, reflecting a stable market position overall. Revenues per retail square foot were $219 in 1992, up 2% from 1991 and 8% from 1987.

STRATEGY 93

TARGET | We are broadening Target's appeal in 1993 by staying sharp on our prices and trends. We intend to remain a value leader on basics, trends and exclusive items. We also plan to open 40 to 50 new stores in 1993, including the 11-store major market entry in the Chicago area in March. We are further boosting customer loyalty and 1993 revenues by offering tailored merchandise assortments in each store. Micromarketing helps each store stock the exact mix and depth of merchandise that fits its local customers' needs. We expect comparable-store revenues to increase in the mid-single digits in 1993.

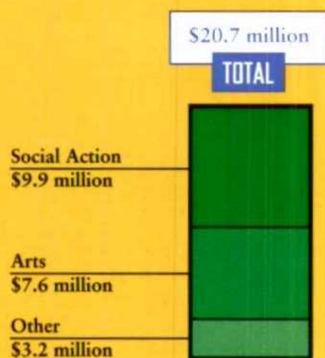
MERVYN'S | We plan to boost our share of market again in 1993 by providing great values on a broad assortment of more fashionable merchandise tailored to local tastes. We are also opening 10 to 15 new stores in 1993, reflecting a planned slowing of growth as the merchandising reorganization proceeds. The new stores are planned for existing markets in order to further leverage common expenses such as advertising. Buildback markets in 1993 include the San Francisco Bay Area, Atlanta, Denver and Salt Lake City. We anticipate a low-single-digit increase in comparable-store revenues in 1993.

Our fast-growing Target discount format is using billboards to announce its 11-store entry into the greater Chicago market in March 1993. Target plans to open 40-50 stores nationwide in 1993.

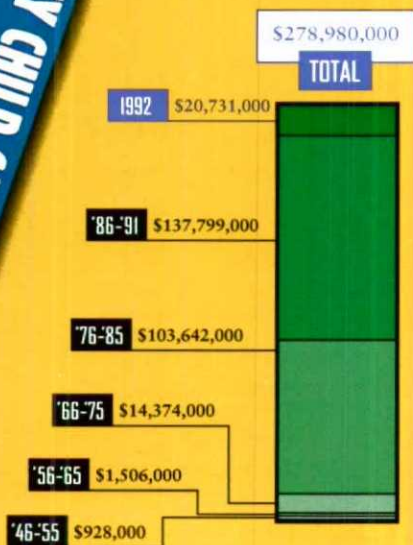
DEPARTMENT STORES | Improving store productivity is at the top of our agenda in 1993. We are concentrating on being even more timely and dramatic in our presentation of the trends. We are rolling out changes designed to make our stores easier to shop. We are also putting new, more targeted direct marketing capabilities to work this year to build incremental sales. Our planner/distributor system, which leads the industry, continues to help us tailor merchandise assortments to each trade area we serve. We expect a low-to-mid-single-digit rise in 1993 comparable-store revenues.

STRATEGY: # Operate Responsibly:

"WE GIVE BACK TO THE COMMUNITY BECAUSE IT STRENGTHENS THE COMMUNITIES WHERE WE DO BUSINESS; IT'S PART OF OUR IDENTITY, IT SETS US APART. EVERY YEAR SINCE 1946, WE HAVE INVESTED FIVE PERCENT OF OUR FEDERALLY TAXABLE INCOME IN SOCIAL ACTION AND ARTS PROGRAMS WHERE WE HAVE STORES – A RECORD THAT IS UNMATCHED IN RETAILING." *Kenneth A. Macke*



1992 CONTRIBUTIONS BY FOCUS AREA



CONTRIBUTION RECORD

COMMUNITY GIVING | Since 1946, when Dayton Hudson established its 5% giving policy, we have invested $279 million in the communities we serve. Last year, we invested more than $20.7 million in results-oriented social action and arts programs and other community needs, including grants for victims of Hurricane Andrew and those affected by earthquakes and civil unrest in California.

By collaborating across divisions and departments, we have leveraged our marketing, store operations and community giving resources to focus on quality child care. Our $10 million, seven-year initiative to improve family child care has trained more than 7,900 child care providers in 27 communities in 17 states. They have cared for more than 50,000 children.

In 1992, we launched the second stage of this initiative: a national public awareness campaign called Child Care Aware. Undertaken in cooperation with four prominent national child care organizations, Child Care Aware uses public service advertising, public relations and in-store marketing programs to provide parents with a plan, a checklist and referrals to help them identify and select quality child care. In its first year, Child Care Aware reached millions of parents and was widely recognized for its innovation and leadership on this issue.

EMPLOYEE VOLUNTEERISM | Our employees, including a majority of senior executives, continued to be active as volunteers and civic leaders in their communities in 1992. We support and encourage their efforts, which forge important links within our store communities.

BEING THE BEST EMPLOYER | Dayton Hudson and its divisions were included in the 1993 book, "The 100 Best Companies to Work for in America," named among the "100 Best Companies for Working Mothers" by Working Mother Magazine and honored as an employer of the disabled by several advocacy groups. Dayton Hudson also was counted among the 100 "Most Admired" companies in a Fortune Magazine survey.

1993 | In 1993, we continue to make a difference through our giving program, volunteerism and employment practices. People in every community we serve can expect to see our store employees become more active in local giving and volunteerism in 1993. We are also introducing an innovative Twin Cities employee health plan, called Choice Plus™, to help improve our preventive family care offering and manage the cost and quality of health care.

1992 Financial Summary

- Each of our three operating divisions achieved record revenues, producing a total increase of 11% over 1991. Comparable-store revenues (revenues from stores open longer than a year) rose 4%.
- The operating expense rate improved in 1992, driven by expense rate reductions at each operating division.
- Operating profit reached an all-time high of $1,086 million. Target and the Department Store Division were substantially above last year. Mervyn's was equal to a year ago.
- Net earnings increased 28% to $383 million from $301 million in 1991.
- Fully diluted earnings per share increased 30% to $4.82 per share from $3.72 per share last year, resulting in a five-year compound annual growth rate of 15%.
- Dividends declared totaled $1.54 per share, a 5% increase from $1.46 per share a year ago.
- Capital expenditures were $938 million for constructing new stores, remodeling existing stores, improving distribution and upgrading systems and technology.

Financial Report

Contents

1992 FINANCIAL SUMMARY

FINANCIAL REVIEW

ANALYSIS OF OPERATIONS

FINANCIAL STATEMENTS, NOTES AND ANALYSIS

Results of Operations

Statements of Financial Position

Statements of Cash Flows

Statements of Common Shareholders' Investment

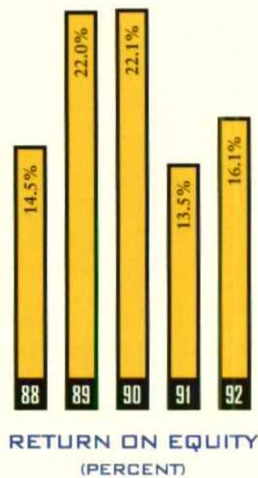
REPORT OF MANAGEMENT

REPORT OF AUDIT COMMITTEE

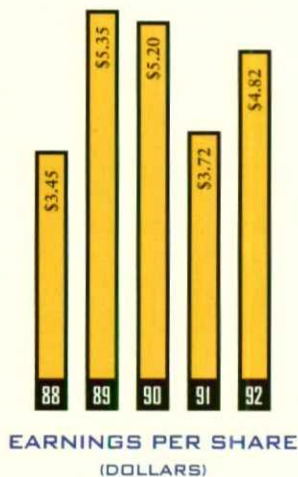
REPORT OF INDEPENDENT AUDITORS

SUMMARY FINANCIAL AND OPERATING DATA

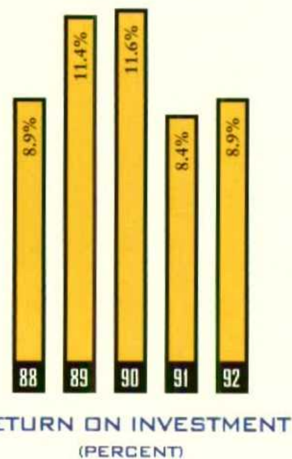
Dayton Hudson Corporation and Subsidiaries
(Millions of Dollars, Except Per-Share Data)



RETURN ON EQUITY
(PERCENT)



EARNINGS PER SHARE
(DOLLARS)



RETURN ON INVESTMENT
(PERCENT)

Our financial objective is to provide shareholders with a superior total return on their investment while maintaining a flexible capital structure. Total return is comprised of current dividend income and share price appreciation. Achieving this objective requires strong, consistent earnings performance and profitable investment in new growth opportunities.

PERFORMANCE OBJECTIVES

We use two primary performance objectives that provide a framework for financial decision making:

Return on equity of 18%. | Return on equity (ROE) was 16.1%, reflecting improved operating performance throughout the challenging retail environment of 1992. This performance improved upon our 1991 ROE of 13.5%.

Average annual fully diluted earnings per share growth of 15% over time. | Fully diluted earnings per share increased 30% in 1992 compared with decreases of 28% in 1991 and 3% in 1990. Over the past five years, earnings per share have grown at a compound annual rate of 15%.

Our EPS growth objective of 15% is supported by continued growth in physical space, the improving return on sales at maturing stores and the strong cash flow and resulting deleveraging effect of existing mature stores. Our capital investment over the past five years has produced a 10% compound annual rate of square footage growth.

Achievement of our performance objectives depends largely on our ability to produce a superior return on investment (ROI). ROI is defined as net earnings before financing costs expressed as a percent of total investment. We believe ROI is the most important measure of financial performance and it is the primary financial tool used to manage our business. We use a growth-adjusted ROI curve which sets annual ROI standards for the life of a project to produce an internal rate of return of 13%. ROI is lower in the early years of a new store's life, reflecting start-up costs, lower sales and higher asset values due to lower accumulated depreciation. As stores mature, profitability improves and ROI increases, generating earnings growth.

RETURN ON INVESTMENT	1992	1991	1990
Return			
Net earnings	$ 383	$ 301	$ 412
Interest expense—after tax (a)	279	251	163
Interest equivalent in operating leases—after tax (b)	27	27	25
Earnings before financing costs	$ 689	$ 579	$ 600
Investment			
Working capital (c)	$1,906	$1,593	$1,218
Net property and equipment (d)	5,102	4,525	3,523
Other non-current assets	351	341	54
Present value of operating leases	411	413	395
Total investment at beginning of year	$7,770	$6,872	$5,190
Return on investment	8.9%	8.4%	11.6%

(a) Interest expense on beginning-of-year debt and capital leases.
(b) Assumes after-tax interest cost of approximately 6.5% on beginning-of-year present value of operating leases for 1992, 1991 and 1990.
(c) Current assets less non-interest bearing current liabilities.
(d) Includes capital leases.

Dayton Hudson Corporation and Subsidiaries
(Millions of Dollars, Except Per-Share Data)

Financial performance measures are used in several key management processes:

Incentive Compensation. | Incentive compensation is based upon how well our financial results compare with other relevant high-performing companies. To be eligible for incentive compensation, we must achieve a threshold level of financial performance relative to our comparison group. The amount of incentive compensation increases as our relative performance improves within the comparison group.

Capital Allocation. | We allocate capital for the expansion of each operating division based on actual and projected financial performance as measured against its ROI standard. Additional criteria for allocating capital include the quality of the division's strategic plan and the strength of its management team.

Capital Project Evaluation. | Capital projects are expected to achieve ROI levels which will produce an internal rate of return over their life of at least 13%. We monitor actual results in the years following completion to determine individual project performance.

FINANCIAL POLICIES

Our principal financial policies are as follows:

Maintain strong investment grade debt ratings. | Our debt ratings are listed to the right.

Maintain a year-end debt ratio within a range of 45% to 65%. | A debt ratio range enables management to take advantage of changes in the economy and the retail environment.

Our debt ratio increased to the high end of the range following the acquisition of Marshall Field's in 1990. The decline in 1992 was consistent with our commitment to reduce the debt ratio to the mid-point of our range while continuing to support expansion.

Limit future capital expenditure commitments to projected internally generated funds and committed financing. | Although we plan capital projects five years into the future, less than 25% of the funding is committed at any time, giving us the flexibility to defer or cancel the remainder of our five-year capital plan.

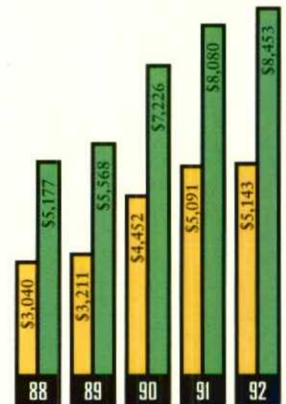
DEBT RATIO

	1992	1991	1990
Debt and equivalents			
Notes payable	$ 23	$ 265	$ 104
Long-term debt (a)	4,701	4,415	3,935
Present value of operating leases	419	411	413
Total debt and equivalents	$5,143	$5,091	$4,452
Capitalization			
Debt and equivalents	$5,143	$5,091	$4,452
Deferred income taxes and other	450	381	347
Convertible preferred stock	374	377	379
Common shareholders' investment	2,486	2,231	2,048
Total capitalization	$8,453	$8,080	$7,226
Debt ratio	61%	63%	62%

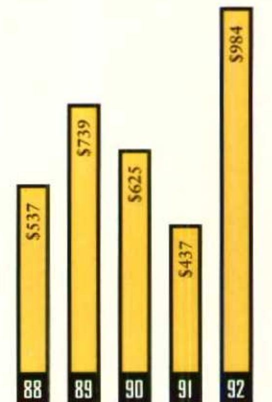
(a) Includes capital leases and current portion of debt and capital leases. Average debt maturity is approximately 14 years with fixed rates averaging 9.2%.

DEBT RATINGS

Long-Term Debt:	
Duff & Phelps	A+
Moody's	A3
Standard & Poor's	A
Commercial Paper:	
Duff & Phelps	D-1+
Moody's	P-2
Standard & Poor's	A-1

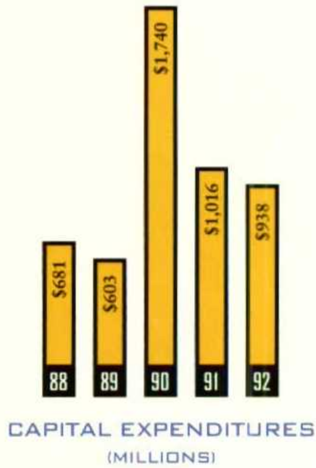


CAPITALIZATION
(MILLIONS)
Debt & Equivalents
Total Capitalization

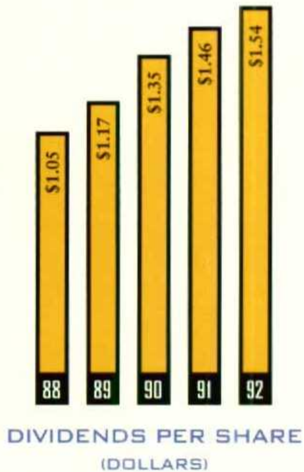


CASH FLOW FROM OPERATIONS
(MILLIONS)

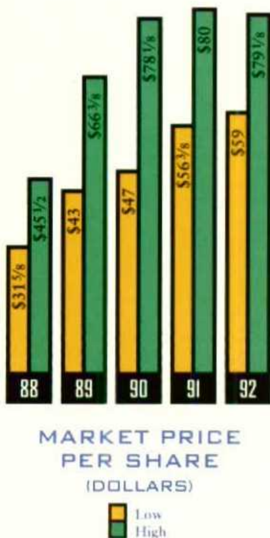
Dayton Hudson Corporation and Subsidiaries
(Millions of Dollars, Except Per-Share Data)



CAPITAL EXPENDITURES
(MILLIONS)



DIVIDENDS PER SHARE
(DOLLARS)



MARKET PRICE
PER SHARE
(DOLLARS)

Low
High

CAPITAL EXPENDITURES

Capital expenditures totaled $938 million in 1992 and are expected to be approximately $1.1 billion in 1993. Capital expenditure priorities are as follows:

Keep existing facilities fresh and exciting to protect current market share.

Improve distribution and systems to cost-effectively support sales growth.

Build new stores in existing markets to increase market share and leverage our existing expense structure.

Build stores in new markets to enhance growth.

The majority of new store capital continues to be allocated to Target due to its proven record of successful expansion and profitable growth.

SHAREHOLDER RETURN

Dividends. | To support our objective of providing shareholders with a superior total return on their investment, it is our policy to make regular annual increases in common stock dividends. Dividends declared in 1992 increased 5% to $1.54 per share, compared with $1.46 per share declared in 1991. The quarterly dividend paid in the first quarter of 1993 was increased to $.40 per share, representing an annualized dividend of $1.60 per share.

Market Value Per Share. | The price of our common stock is determined by trading activity on the major stock exchanges. The price reflects the market's view of our performance and future prospects, as well as industry and general economic conditions. At March 25, 1993 there were 12,094 shareholders of record and the common stock price was $79⅛ per share.

Dayton Hudson Corporation and Subsidiaries
(Millions of Dollars, Except Per-Share Data)

We are pleased to report that net earnings increased 28% in 1992, following a disappointing 27% decline in 1991. The difficult economic climate continued to present a challenge to us and the entire retail industry throughout most of 1992. Improved revenue productivity and effective expense controls were key elements to our earnings growth in 1992. Net earnings for the year were $383 million compared with $301 million in 1991 and $412 million in 1990.

Total operating profit reached a record level of $1,086 million in 1992, representing a 19% increase over 1991, following a 10% decline in 1991. In 1992, Target posted a 25% increase in operating profit and DSD reported a 36% increase, while Mervyn's was flat. (Operating profit is LIFO earnings from operations before corporate expense, interest and income taxes.)

Target's record operating profit showed substantial improvement from 1991 reflecting a combination of strong revenue growth, improved expense control and a slightly higher gross margin rate.

Mervyn's flat operating profit reflected solid revenue growth and an improved operating expense rate, offset by a significantly reduced gross margin rate.

DSD's record operating profit improved substantially from 1991, primarily reflecting a sharp reduction in its operating expense rate.

Fully diluted earnings per share were $4.82 in 1992 versus $3.72 in 1991 and $5.20 in 1990. Over the past five years, earnings per share have grown at a compound annual rate of 15%. The following table illustrates the impact of the major factors contributing to the year-over-year change in fully diluted earnings per share:

VARIANCE ANALYSIS	1992	1991	1990
Prior year's fully diluted earnings per share	**$3.72**	$5.20	$5.35
Change in fully diluted earnings per share due to:			
Revenues	**.81**	.75	.91
Gross margin rate	**(.77)**	(1.27)	.04
Operating expense rate	**1.32**	(.09)	(.67)
Start-up expense	**(.03)**	(.14)	(.04)
Interest expense, net	**(.31)**	(.54)	(.30)
Corporate expense and other, net	**.08**	(.19)	(.09)
Fully diluted earnings per share	**$4.82**	$3.72	$5.20

REVENUES

Each of our three operating divisions contributed to total and comparable-store revenue growth in 1992 (comparable-store revenues are revenues from stores open longer than a year). Target's strong revenue increase was due to its aggressive new store expansion and favorable customer response to its value pricing strategy, implemented in mid-1991 and expanded further in 1992. Mervyn's revenue growth was driven by a significant increase in promotions and new store expansion, while its comparable-store revenues continued to be restrained by the depressed economy in California, its core market. The Department Store Division's (DSD) revenue increase was primarily due to base business growth.

Revenue growth in 1991 was driven by new store expansion and the full-year contribution of Marshall Field's operations versus seven months in 1990. The increase in 1990 revenues was due primarily to the acquisition of Marshall Field's and other store expansion. Inflation over the past three years has been minimal and, as a result, reported comparable-store revenue increases closely approximate real growth.

Revenue Growth	1992		1991		1990	
	All Stores	Comp. Stores	All Stores	Comp. Stores	All Stores	Comp. Stores
Target	15%	5%	11%	4%	10%	4%
Mervyn's	9	3	2	(1)	6	4
DSD	3	2	17	1	41	–
Total	11%	4%	9%	2%	13%	3%

One measure used to evaluate store productivity is revenues per square foot. Revenues per square foot improved in 1992, driven by growth at Target and DSD. Higher revenues per square foot at Target reflect strong comparable-store revenues, while DSD's growth was due to enhanced productivity at its Marshall Field's division. Revenues per square foot at all divisions were affected by the weakened economy in 1991 and 1990.

Revenues Per Square Foot* *(dollars)*	1992	1991	1990
Target	**$209**	$205	$198
Mervyn's	**223**	224	230
DSD	**219**	215	222

*Thirteen-month average retail square feet.

GROSS MARGIN RATE

Our gross margin rate (excluding buying and occupancy costs) declined slightly in 1992, reflecting increased consumer value-consciousness in a competitive retail environment. Higher markdowns at both Mervyn's and DSD and higher overall LIFO expense contributed to the gross margin rate decline, partially offset by an increase in Target's gross margin rate. Looking forward, the gross margin rate will continue to be pressured by the value-oriented consumer. Additionally, growth from Target, our lower margin operation, will lower the overall gross margin rate.

Target's gross margin rate improved slightly in 1992, reflecting a significantly improved markdown rate and enhanced inventory controls. This was partially offset by the ongoing impact of its value pricing strategy and higher LIFO expense.

Mervyn's gross margin rate declined due to significantly higher markdowns associated with increased emphasis on promotional merchandise and enhanced in-stock inventory levels designed to generate revenues.

DSD's gross margin rate was somewhat lower, reflecting reduced prices associated with its value program merchandise and higher LIFO expense.

In 1991, the gross margin rate declined at all divisions, reflecting the value-conscious consumer in a very weak economy and Target's implementation of its value pricing strategy. Higher markdowns at all divisions, reflecting strong customer response to advertised merchandise also contributed to the decline, partially offset by lower LIFO expense.

OPERATING EXPENSE RATE

Operating expenses include buying and occupancy costs, selling, publicity and administrative expense, depreciation and taxes other than income taxes.

Our overall operating expense rate improved significantly in 1992 through disciplined expense management at each operating division. Operating expense rate reductions will continue to be a major focus as we concentrate on gaining corporate-wide efficiencies in technology, logistics and advertising.

Target's operating expense rate improved, reflecting ongoing expense controls within the stores and distribution facilities and strong revenue growth.

Mervyn's operating expense rate was lower in 1992 due to solid revenue growth and continued focus on expense controls.

DSD's operating expense rate declined sharply in 1992 due to expense streamlining, including payroll and advertising expense efficiencies, and distribution consolidation implemented early in 1992.

In 1991, the overall operating expense rate increased slightly from 1990, reflecting weak comparable-store revenue growth at Mervyn's and DSD and a full year of depreciation resulting from the Marshall Field's acquisition.

START-UP EXPENSE

Start-up expense, costs associated with opening new stores and remodeling existing stores, is recognized evenly throughout the year in which the expense is incurred. Start-up expense increased in 1992 due to Target's accelerated store growth and ongoing remodeling programs at all three divisions. A total of 68 new stores were opened in 1992, compared with 63 new stores in 1991.

INTEREST EXPENSE

Total interest expense increased in 1992 due to an increase in total debt required to finance new store growth and store-remodeling programs. Lower interest rates somewhat offset the impact of increased debt levels.

Components of Interest Expense, Net	1992	1991	1990
Interest on debt	**$404**	$371	$309
Interest on capital leases	**15**	14	15
Interest impact of ESOP*	**27**	26	21
Interest cost capitalized	**(6)**	(11)	(8)
Interest income	**(3)**	(2)	(12)
Net expense	**$437**	$398	$325

*Includes interest of $34 million, $36 million and $35 million in 1992, 1991 and 1990, respectively, incurred on debt to finance the repurchase of common stock designated to satisfy future conversion requirements of the ESOP, offset by interest income received from the loan to ESOP of $27 million, $32 million and $34 million in 1992, 1991 and 1990, respectively. The ESOP expense for the Corporation consists of both compensation expense and interest expense; the interest expense portion was $20 million, $22 million and $20 million in 1992, 1991 and 1990, respectively.

CORPORATE EXPENSE AND OTHER

Corporate expense and other includes corporate headquarters expense, corporate charitable contributions to support our giving program of 5% of federal taxable income and other miscellaneous items.

Dayton Hudson Corporation and Subsidiaries
(Millions of Dollars, Except Per-Share Data)

BUSINESS SEGMENTS	1992	1991	1990	1989*	1988	1987
Revenues						
Target	$10,393	$ 9,041	$ 8,175	$ 7,519	$ 6,331	$ 5,306
Mervyn's	4,510	4,143	4,055	3,858	3,411	3,183
Department Store Division	3,024	2,931	2,509	1,801	1,693	1,552
Other	–	–	–	466	769	636
Total	$17,927	$16,115	$14,739	$13,644	$12,204	$10,677
Operating profit						
Target	$ 574	$ 458	$ 466	$ 449	$ 341	$ 323
Mervyn's	284	284	366	358	256	150
Department Store Division	228	168	183	179	159	122
Total	1,086	910	1,015	986	756	595
Interest expense, net	437	398	325	267	218	152
Corporate and other	38	40	31	41	66	44
Earnings before income taxes	$ 611	$ 472	$ 659	$ 678	$ 472	$ 399
Operating profit as a percent of revenues						
Target	5.5%	5.1%	5.7%	6.0%	5.4%	6.1%
Mervyn's	6.3	6.9	9.0	9.3	7.5	4.7
Department Store Division	7.5	5.7	7.3	10.0	9.4	7.9
Assets						
Target	$ 4,913	$ 4,393	$ 3,722	$ 3,505	$ 2,982	$ 2,638
Mervyn's	3,042	2,686	2,439	2,260	2,166	2,114
Department Store Division	2,292	2,317	2,261	838	808	761
Corporate and other	90	89	102	81	567	563
Total	$10,337	$ 9,485	$ 8,524	$ 6,684	$ 6,523	$ 6,076
Depreciation						
Target	$ 236	$ 208	$ 190	$ 170	$ 146	$ 103
Mervyn's	135	117	107	98	91	82
Department Store Division	87	84	69	34	33	30
Corporate and other	1	1	3	13	20	16
Total	$ 459	$ 410	$ 369	$ 315	$ 290	$ 231
Capital expenditures						
Target	$ 571	$ 605	$ 374	$ 414	$ 457	$ 501
Mervyn's	294	303	210	133	154	207
Department Store Division	72	106	1,155	37	31	49
Corporate and other	1	2	1	19	39	82
Total	$ 938	$ 1,016	$ 1,740	$ 603	$ 681	$ 839

*Consisted of 53 weeks.

Other includes Lechmere through September 1989.

CONSOLIDATED RESULTS OF OPERATIONS

Dayton Hudson Corporation and Subsidiaries

(Millions of Dollars, Except Per-Share Data)	1992	1991	1990
Revenues	$17,927	$16,115	$14,739
Costs and Expenses			
Cost of retail sales, buying and occupancy	13,129	11,751	10,652
Selling, publicity and administrative	2,978	2,801	2,478
Depreciation	459	410	369
Interest expense, net	437	398	325
Taxes other than income taxes	313	283	256
Total Costs and Expenses	17,316	15,643	14,080
Earnings Before Income Taxes and Cumulative Effect of Accounting Changes	611	472	659
Provision for Income Taxes	228	171	249
Net Earnings Before Cumulative Effect of Accounting Changes	383	301	410
Cumulative Effect of Accounting Changes	–	–	2
Net Earnings	$ 383	$ 301	$ 412
Primary Earnings Per Share:			
Net Earnings Before Cumulative Effect of Accounting Changes	$ 5.02	$ 3.86	$ 5.41
Cumulative Effect of Accounting Changes	–	–	.03
Net Earnings	$ 5.02	$ 3.86	$ 5.44
Fully Diluted Earnings Per Share:			
Net Earnings Before Cumulative Effect of Accounting Changes	$ 4.82	$ 3.72	$ 5.17
Cumulative Effect of Accounting Changes	–	–	.03
Net Earnings	$ 4.82	$ 3.72	$ 5.20
Average Common Shares Outstanding ***(Millions):***			
Primary	71.6	71.5	71.3
Fully Diluted	75.9	75.9	75.7

The financial statements should be read in conjunction with the Notes and Analysis contained throughout pages 21-33.

Dayton Hudson Corporation and Subsidiaries
(Millions of Dollars, Except Per-Share Data)

REVENUES

Revenues include finance charge revenues on internal credit sales. Finance charge revenues were $186 million on sales of $3.5 billion in 1992, $182 million on sales of $3.3 billion in 1991 and $168 million on sales of $3.1 billion in 1990.

INCOME TAXES

Effective tax rates for the past three years varied from the federal statutory rate as follows:

Percent of Earnings Before Income Taxes	1992	1991	1990
Statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal tax benefit	4.7	4.0	4.6
Dividends on preferred stock	(1.5)	(2.0)	(1.4)
Other	.1	.3	.6
Effective tax rate	37.3%	36.3%	37.8%

The higher effective tax rate in 1992 compared with 1991 was primarily due to higher state tax rates. Additionally, the impact of the deduction for dividends earned on preferred stock ($24 million in 1992 and $25 million in 1991 and 1990) was diluted by higher earnings in 1992.

The components of the provision for income taxes for the past three years were as follows:

Income Tax Provision/(Benefit)	1992	1991	1990
Current:			
Federal	$176	$112	$218
State	41	25	49
	217	137	267
Deferred:			
Federal	8	31	(15)
State	3	3	(3)
	11	34	(18)
Total	$228	$171	$249

The deferred tax provision was comprised of the following temporary differences:

Deferred Tax Provision/(Benefit)	1992	1991	1990
Depreciation expense	$ 24	$ 24	$ 19
Installment sales deferred income	-	-	(32)
Inventory	(1)	14	(5)
Other	(12)	(4)	-
Provision for deferred taxes	$ 11	$ 34	$(18)

Tax legislation eliminated installment sales reporting, with 1990 being the last year of a four-year transition period. The types of temporary differences shown above were also those which give rise to the deferred income tax asset/liability.

During 1992, SFAS No. 109 "Accounting for Income Taxes," was issued. The new Standard will be adopted by the Corporation at the beginning of fiscal 1993 and is not expected to have a material effect on the financial statements, as it amends SFAS No. 96, which was adopted in 1990.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES

The Corporation adopted two accounting changes at the beginning of fiscal 1990. The net cumulative effect of these changes was $2 million or $.03 per fully diluted share. The benefit of adopting the provisions of Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes," was $54 million or $.72 per share. The after-tax charge of adopting the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" was $52 million or $.69 per share.

EARNINGS PER SHARE

Primary earnings per share equal net earnings, less dividend requirements on ESOP preferred stock, divided by the average common stock and common stock equivalents outstanding during the period.

Fully diluted earnings per share are computed based on the average common stock and common stock equivalents outstanding during the period. The computation assumes conversion of the ESOP preferred stock into common stock. Net earnings also are adjusted for the additional expense required to fund the ESOP debt service, which results from the assumed replacement of the ESOP preferred dividends with common stock dividends.

MARSHALL FIELD'S ACQUISITION

Marshall Field's operating results are included in the financial statements from June 24, 1990, the effective date of the acquisition. Marshall Field's profitable operating contribution is offset by interest on the debt used to finance the acquisition. The effect of the acquisition on 1992 earnings per share was non-dilutive compared with $.25 and $.10 per share dilution in 1991 and 1990, respectively. The Corporation expects the acquisition to be accretive in 1993 and beyond.

Dayton Hudson Corporation and Subsidiaries

(Millions of Dollars)	January 30, 1993	February 1, 1992
ASSETS		
Current Assets		
Cash and cash equivalents	$ 117	$ 96
Accounts receivable	1,514	1,430
Merchandise inventories	2,618	2,381
Other	165	125
Total Current Assets	4,414	4,032
Property and Equipment		
Land	998	897
Buildings and improvements	4,342	3,883
Fixtures and equipment	2,197	1,983
Construction-in-progress	223	198
Accumulated depreciation	(2,197)	(1,859)
Net Property and Equipment	5,563	5,102
Other	360	351
Total Assets	$10,337	$9,485
LIABILITIES AND COMMON SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Notes payable	$ 23	$ 265
Accounts payable	1,596	1,324
Accrued liabilities	849	705
Income taxes payable	125	98
Current portion of long-term debt	371	188
Total Current Liabilities	2,964	2,580
Long-Term Debt	4,330	4,227
Deferred Income Taxes and Other	450	381
Convertible Preferred Stock	374	377
Loan to ESOP	(267)	(311)
Common Shareholders' Investment		
Common stock	71	71
Additional paid-in capital	58	51
Retained earnings	2,357	2,109
Total Common Shareholders' Investment	2,486	2,231
Total Liabilities & Common Shareholders' Investment	$10,337	$9,485

The financial statements should be read in conjunction with the Notes and Analysis contained throughout pages 21-33.

Dayton Hudson Corporation and Subsidiaries
(Millions of Dollars, Except Per-Share Data)

CASH EQUIVALENTS

Cash equivalents represent short-term investments with a maturity of three months or less at the time of purchase. Short-term investments are recorded at cost, which approximates fair value.

ACCOUNTS RECEIVABLE

Customer accounts receivable are classified as current assets and include some which are due after one year, consistent with industry practice. Accounts receivable generally are written off when any portion of the balance is 12 months past due, or when the required payments have not been received for six consecutive months. The allowance for doubtful accounts was $37 million and $46 million at year-end 1992 and 1991, respectively.

INVENTORIES

Inventories and the related cost of sales are accounted for by the retail inventory accounting method using the last-in, first-out (LIFO) basis. Under this method, the cost of retail sales, as reported in the Consolidated Results of Operations, represents current cost, thereby reflecting the effect of changing prices. The accumulated LIFO provision was $171 million and $162 million at year-end 1992 and 1991, respectively (see page 31 for further discussion of LIFO provision).

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation. For financial reporting, depreciation on property is computed using the straight-line method over estimated useful lives. Accelerated depreciation methods generally are used for income tax purposes.

ACCOUNTS PAYABLE

Outstanding drafts included in accounts payable were $372 million and $344 million at year-end 1992 and 1991, respectively.

LEASES

Assets held under capital leases are included in Property and Equipment in the Consolidated Statements of Financial Position and are charged to depreciation and interest over the life of the lease. Operating leases are not capitalized and lease rentals are expensed. Rent expense, included in buying and occupancy, includes percentage rents which are based on a percentage of retail sales over stated levels. Rent expense was $94 million, $92 million and $95 million in 1992, 1991 and 1990, respectively.

Many of the long-term leases include options to renew, with renewal terms varying from five to 30 years. Certain leases also include options to purchase the property. Future minimum lease payments required under noncancellable lease agreements existing at the end of 1992 were:

Future Minimum Lease Payments	Operating Leases	Capital Leases
1993	$ 74	$ 22
1994	73	21
1995	70	20
1996	68	20
1997	65	19
After 1997	551	200
Total future minimum lease payments	901	302
Less: Interest*	(460)	(163)
Executory costs	(22)	(6)
Present value of minimum lease payments	$419	$133**

* Calculated using the average interest rate in the year of inception for each lease (weighted average interest rate – 9.9%).
** Includes current portion of $7 million.

COMMITMENTS AND CONTINGENCIES

Commitments for the purchase of real estate, construction of new facilities, remodeling of existing facilities and other equipment purchases amounted to approximately $240 million at January 30, 1993.

Regular contact with the general public, other businesses and governmental entities subjects the Corporation to claims and litigation arising out of the ordinary course of business. Considering the insurance coverage in place for a portion of the claims and litigation, and noting that the ultimate consequences cannot be accurately predicted, management and legal counsel believe that presently identified claims and litigation will not have a material adverse effect on the Corporation's operations or its financial condition.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dayton Hudson Corporation and Subsidiaries

(Millions of Dollars)	1992	1991	1990
Operating Activities			
Net earnings	$383	$301	$412
Reconciliation to cash flow:			
Depreciation and amortization	459	410	372
Deferred tax provision/(benefit)	11	34	(20)
Other noncash items affecting earnings	48	26	36
Changes in operating accounts providing/(requiring) cash:			
Accounts receivable	(84)	(23)	(116)
Merchandise inventories	(237)	(365)	(36)
Accounts payable	272	57	8
Accrued liabilities	142	59	(15)
Income taxes payable	27	(62)	(13)
Other	(37)	–	(3)
Cash Flow Provided by Operations	984	437	625
Investing Activities			
Expenditures for property and equipment	918	1,009	678
Acquisition of Marshall Field's	–	–	1,054
Disposals of property and equipment	(10)	(19)	(2)
Cash Flow Required for Investing Activities	908	990	1,730
Net Financing Sources/(Requirements)	76	(553)	(1,105)
Financing Activities			
(Decrease)/increase in notes payable	(242)	161	(130)
Additions to long-term debt	550	756	1,502
Reduction of long-term debt	(290)	(280)	(165)
Principal payments received on loan to ESOP	58	49	27
Dividends paid	(133)	(128)	(116)
Other	2	(1)	(24)
Cash Flow (Used)/Provided by Financing Activities	(55)	557	1,094
Net Increase/(Decrease) in Cash and Cash Equivalents	21	4	(11)
Cash and Cash Equivalents at Beginning of Year	96	92	103
Cash and Cash Equivalents at End of Year	$117	$ 96	$ 92

Amounts in these statements are presented on a cash basis and therefore may differ from those shown in other sections of this annual report.

The financial statements should be read in conjunction with the Notes and Analysis contained throughout pages 21-33.

ANALYSIS OF CASH FLOW *(Unaudited)*

Operating Activities. | Net cash generated from operations was $984 million in 1992 compared with $437 million and $625 million in 1991 and 1990, respectively. The substantial improvement in 1992 cash flow from operations reflects higher net earnings, depreciation and a slight decline in working capital. Internally generated funds represent an important component of our capital resources.

Investing Activities. | The Corporation's investing activities reflect strategic capital spending in all three operating divisions. Total capital expenditures for property and equipment were $938 million in 1992, including $918 million of cash expenditures and $20 million of non-cash expenditures. Approximately 62% were made by Target, 31% made by Mervyn's and 7% by the Department Store Division. Nearly 65% of total expenditures were for building new stores, with the balance spent on store remodeling, systems and distribution. Excluding the acquisition of Marshall Field's in 1990, capital spending patterns have remained consistent with 1991 and 1990 levels. Capital expenditures for 1993 are expected to be approximately $1.1 billion, including remodeling of existing stores, upgrading of systems and technology and construction of new stores. The 1993 remodel program includes approximately 50 stores, while the store opening plan calls for 40-50 new Target stores, including a major entry into the Chicago market, and 10-15 new Mervyn's stores.

Financing Activities. | Cash flow from operations and the issuance of debt is used to fund the Corporation's growth, working capital needs, dividend payments and debt maturities and redemptions. Internally generated funds financed the Corporation's investment activities in 1992. (Refer to the Lines of Credit note below for information regarding the Corporation's available credit).

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest (including interest capitalized) and income tax payments are as follows:

Supplemental Cash Flow Information	1992	1991	1990
Interest paid	$438	$389	$327
Income tax payments	189	200	257

Certain reclassifications have been made to the previously reported 1991 amounts to conform with the 1992 presentation.

LINES OF CREDIT

At year-end, three revolving credit agreements totaling $795 million were available from various lending institutions. There were no balances outstanding at January 30, 1993. A fee is paid for the availability under these agreements and an option is available to borrow at the prime rate or other negotiated rates. Fees paid under these agreements were $2 million in 1992, 1991 and 1990.

COMMERCIAL PAPER

At January 30, 1993, $223 million in commercial paper was outstanding at a weighted average interest rate of 3.1%, including $200 million classified as long-term debt. The average amount of commercial paper outstanding during the year was $460 million, at a weighted average interest rate of 3.7%.

Interest rate swaps were used to reduce interest rate risk by effectively fixing rates on $200 million of variable-rate commercial paper. Long-term revolving credit agreements with maturities greater than one year support the commercial paper.

LONG-TERM DEBT

During 1992, $550 million of long-term debt was issued with maturities of 1992 to 2022 at rates ranging from $6\frac{1}{16}$% to $8\frac{7}{8}$%, with an average interest rate of 8.2%. The average interest rate on total long-term debt at year-end 1992 was 9.2%.

At year-end 1992 and 1991, long-term debt due beyond one year was:

Long-Term Debt	January 30, 1993	February 1, 1992
Commercial paper backed by revolving credit	$ 200	$ 200
$6\frac{1}{16}$% to $10\frac{3}{4}$% unsecured notes and sinking fund notes and debentures due 1994 to 2022, and other debt	4,004	3,912
Capital lease obligations	126	115
Total	$4,330	$4,227

The fair value of the $4,004 million $6\frac{1}{16}$% to $10\frac{3}{4}$% unsecured notes, sinking fund notes and debentures, and other debt, was approximately $4,450 million at January 30, 1993. The fair value of the $200 million commercial paper, classified as long-term debt, was approximately $230 million at January 30, 1993. The fair value of the long-term debt is estimated using discounted cash flow analysis, based on the Corporation's current incremental borrowing rates for similar types of financial instruments. The carrying amounts of the Corporation's other borrowings, including the current portion of long-term debt, approximate their fair values.

As a condition of certain borrowings, related land, buildings and equipment have been pledged as collateral. At year end, approximately $80 million of property and equipment served as collateral for these loans.

Required principal payments on long-term debt over the next five years, excluding commercial paper and capital lease obligations, will be $364 million in 1993, $157 million in 1994, $213 million in 1995, $170 million in 1996 and $126 million in 1997.

Subsequent to year end, $100 million of $7\frac{7}{8}$% notes due in 1996 were called for redemption at par value. This debt has been classified in current portion of long-term debt as of January 30, 1993. Also subsequent to year end, $150 million of $6\frac{5}{8}$% notes due in 2003 were issued.

Dayton Hudson Corporation and Subsidiaries

(Millions of Dollars)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
February 3, 1990	$71	$34	$1,648	$1,753
Consolidated net earnings	–	–	412	412
Dividends declared	–	–	(124)	(124)
Stock option activity	–	7	–	7
February 2, 1991	71	41	1,936	2,048
Consolidated net earnings	–	–	301	301
Dividends declared	–	–	(128)	(128)
Stock option activity	–	8	–	8
Conversion of preferred stock	–	2	–	2
February 1, 1992	71	51	2,109	2,231
Consolidated net earnings	–	–	383	383
Dividends declared	–	–	(135)	(135)
Stock option activity	–	4	–	4
Conversion of preferred stock	–	3	–	3
January 30, 1993	**$71**	**$58**	**$2,357**	**$2,486**

Preferred Stock

Authorized 5,000,000 shares, Series B ESOP Convertible Preferred Stock $.01 par value: 432,014 shares issued and outstanding at January 30, 1993; 436,342 shares issued and outstanding at February 1, 1992. Each share converts into ten shares of the Corporation's common stock; has voting rights equal to the equivalent number of common shares; and is entitled to cumulative annual dividends of $56.20. Under certain circumstances, the shares may be redeemed at the election of the Corporation or the ESOP.

Common Stock

Authorized 500,000,000 shares, $1.00 par value, 71,383,880 shares issued and outstanding at January 30, 1993; 71,235,274 shares issued and outstanding at February 1, 1992.

Junior Preferred Stock Rights

The Corporation declared a distribution of shares of preferred share repurchase rights in 1986. Terms of the plan provide for a distribution of one preferred share purchase right for each outstanding share of Dayton Hudson common stock. Each right will entitle shareholders to buy one-hundredth of a share of a new series of junior participating preferred stock at an exercise price of $150, subject to adjustment. The rights will be exercisable only if a person or group acquires ownership of 20% or more of Dayton Hudson common stock or announces a tender offer to acquire 30% or more of the common stock.

The financial statements should be read in conjunction with the Notes and Analysis contained throughout pages 21-33.

STOCK OPTIONS AND PERFORMANCE SHARES

The Corporation has a stock option plan for key employees. Grants have included stock options, performance shares or both. Options have included Incentive Stock Options, Non-Qualified Stock Options or a combination of the two. Twelve months after the grant date 25% of the majority of options granted become exercisable with another 25% after each succeeding 12 months. These options are cumulatively exercisable and expire no later than 10 years after the date of the grant. Stock options are awarded at fair market value on the grant date. When exercised, proceeds are credited to common shareholders' investment and no expense is incurred.

Performance shares pay cash and stock if certain pre-determined performance goals are met at the end of a four-year period. Compensation expense on performance shares is recorded based on the current market price of the Corporation's common stock and the extent to which the performance goals are being met. Expense of $3 million, $1 million and $3 million was recorded in 1992, 1991 and 1990, respectively.

The number of shares of unissued common stock reserved for future grants under the plan was 3,396,070 at the end of 1992 and 3,625,333 at the end of 1991.

Options and Performance Shares Outstanding

	Options			
	Number of Shares	Price Per Share	Shares Exercisable	Performance Shares
February 3, 1990	1,097,885	$12.36 - $62.56	634,249	174,556
Granted	174,679	69.56 - 75.50		
Cancelled	(3,034)	35.19 - 53.00		
Exercised	(197,181)	12.36 - 53.19		
February 2, 1991	1,072,349	14.30 - 75.50	571,948	219,091
Granted	190,513	73.81 - 75.19		
Cancelled	(49,706)	30.25 - 75.50		
Exercised	(141,990)	14.30 - 69.56		
February 1, 1992	1,071,166	17.44 - 75.50	561,774	190,215
Granted	198,027	59.81 - 67.63		
Cancelled	(14,666)	17.44 - 75.50		
Exercised	(100,109)	17.44 - 53.19		
January 30, 1993	**1,154,418**	**$30.25 - $75.50**	**590,807**	**207,758**

PENSION PLANS

The Corporation has three defined benefit pension plans which cover all employees who meet certain requirements of age, length of service and hours worked per year. The benefits provided are based upon years of service and the employee's compensation.

Contributions to the pension plans, which are made solely by the Corporation, are determined by an outside actuarial firm. To compute net pension cost, the actuarial firm estimates the total benefits which will ultimately be paid to eligible employees and then allocates these costs to service periods.

The period over which unrecognized pension costs and credits are amortized, including prior service costs and actuarial gains and losses, is based on the remaining service period for those employees expected to receive pension benefits.

Components of Net Pension Expense/(Credit)	1992	1991	1990
Service cost-benefits earned during the period	$ 19	$ 18	$ 15
Interest cost on projected benefit obligation	30	26	24
Return on assets–actual	(30)	(79)	4
–deferred	(1)	50	(33)
Amortization of transitional asset	-	(7)	(7)
Net pension expense	$ 18	$ 8	$ 3

Actuarial Assumptions	1992	1991	1990
Discount rate	8.5%	8.5%	8.8%
Expected long-term rate of return on plan assets	9.5	9.5	9.5
Average assumed rate of compensation increase	7.0	7.0	7.0

	December 31,	
Funded Status	1992	1991
Actuarial present value of:		
Vested benefit obligation	$297	$270
Accumulated benefit obligation	$316	$287
Projected benefit obligation	$380	$349
Fair market value of plan assets*	403	370
Plan assets in excess of projected benefit obligation	23	21
Unrecognized prior service cost	5	5
Unrecognized net actuarial (gain)/loss	(4)	(13)
Prepaid pension asset	$ 24	$ 13

* Plan assets consist primarily of equity and fixed income securities.

SUPPLEMENTAL RETIREMENT PLAN

The Corporation sponsors a defined contribution employee benefit plan. Employees who meet certain eligibility requirements (based primarily on age and length of employment) can participate in the plan by investing up to 15% of their compensation.

The plan was enhanced in April 1990 to include an Employee Stock Ownership Plan (ESOP) and the employer match was increased from 50% to 100% of each employee's contribution up to 5% of each participant's total compensation, within ERISA limits. The Corporation's contribution to the plan is invested in the ESOP.

The Corporation lent $379 million to the ESOP at a 9% interest rate with a maturity of 15 years. Proceeds from the loan were used by the ESOP to purchase 438,353 shares of Series B ESOP Convertible Preferred Stock of the Corporation. The original issue value of the ESOP preferred stock of $864.60 per share is guaranteed by the Corporation.

Contributions made to the ESOP, plus the dividends paid on preferred stock held by the ESOP, are used to repay the loan principal and interest. Cash contributed to the ESOP was $61 million, $53 million and $40 million in 1992, 1991 and 1990, respectively. Dividends earned on shares held by the ESOP were $24 million in 1992 and $25 million in both 1991 and 1990. Compensation expense, based on the shares allocated method, of $28 million, $25 million and $17 million was recognized in 1992, 1991 and 1990, respectively.

POSTRETIREMENT HEALTH CARE BENEFITS

Certain health care benefits are provided for retired employees. Employees eligible for retirement become eligible for these benefits if they meet minimum age and service requirements and agree to contribute a portion of the cost. The Corporation has the right to modify or terminate these benefits.

	December 31,	
Accumulated Postretirement Benefit Obligation	**1992**	1991
Retirees	$52	$54
Fully eligible active plan participants	30	30
Other active plan participants	14	6
Prior service cost	(6)	(6)
Unrecognized gain	4	6
Total accumulated postretirement benefit obligation	$94	$90

Net Periodic Cost	**1992**	1991	1990
Service cost – benefits earned during the period	$ 1	$ 1	$ 1
Interest cost on accumulated benefit	8	7	7
Net cost	$ 9	$ 8	$ 8

An increase in the cost of covered health care benefits of 14% was assumed for fiscal 1993. The rate is assumed to decrease incrementally to 7% after ten years and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, a 1% increase in the health care trend rate would increase the accumulated postretirement benefit obligation by $8 million at year-end 1992 and the net periodic cost by $1 million for the year. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.5% for 1992 and 1991.

SUMMARY OF OTHER ACCOUNTING POLICIES

Consolidation. | The financial statements include the accounts of Dayton Hudson Corporation and subsidiaries after elimination of material intercompany balances and transactions. All subsidiaries are wholly owned.

Fiscal Year. | Our fiscal year ends on the Saturday nearest January 31.

Fiscal Year	Ended	Weeks
1992	January 30, 1993	52
1991	February 1, 1992	52
1990	February 2, 1991	52

Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years.

QUARTERLY RESULTS *(Unaudited)*

The Corporation reported a double-digit increase in total revenues and a modest increase in comparable-store revenues in all four quarters of 1992. Fully diluted earnings per share for each quarter also showed improvement over the respective quarter in 1991.

The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. Costs directly associated with revenues, such as cost of goods sold and additional rent on leased stores, are allocated based on revenues. Certain other costs not directly associated with revenues, such as benefit plan expenses, bonuses and real estate taxes, are allocated evenly throughout the year.

The table below summarizes results by quarter for 1992 and 1991:

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991
Revenues	$3,719	$3,349	$3,967	$3,562	$4,340	$3,955	$5,901	$5,249	$17,927	$16,115
Gross Profit (a)	$1,009	$ 929	$1,068	$ 964	$1,151	$1,042	$1,570	$1,429	$ 4,798	$ 4,364
Net Earnings	$ 35	$ 34	$ 42	$ 40	$ 57	$ 35	$ 249	$ 192	$ 383	$ 301
Fully Diluted Earnings Per Share (b)	$ .40	$ .39	$ .50	$ .47	$ .70	$ .40	$ 3.22	$ 2.47	$ 4.82	$ 3.72
Fully Diluted Average										
Common Shares Outstanding (Millions)	75.9	75.9	75.9	75.9	76.0	75.9	76.0	75.8	75.9	75.9
Quarterly Dividend Declared Per Share	$ .38	$ .36	$ .38	$ .36	$ .38	$ .36	$ .40	$ .38	$ 1.54	$ 1.46
Common Stock Price (c)										
High	$ 70	$ 77 7/8	$ 69	$ 80	$ 78 3/8	$ 79 3/4	$ 79 1/8	$ 67 1/2	$ 79 1/8	$ 80
Low	60	66 5/8	59	66 3/4	61 7/8	63 7/8	72 1/2	56 3/8	59	56 1/8

(a) Gross profit is revenues less cost of retail sales, buying and occupancy.

(b) Fully diluted earnings per share are computed independently for each of the quarters presented. The sum of the quarterly earnings per share may not equal the total-year amount due to the impact of changes in average quarterly shares outstanding.

(c) Dayton Hudson Corporation's common stock is listed on the New York Stock Exchange and the Pacific Stock Exchange.

LIFO PROVISION

The following table shows quarterly last-in, first-out (LIFO) expense and its impact on fully diluted earnings per share:

LIFO Expense/(Credit)*	1992		1991		1990	
		Per		Per		Per
Quarter *(Unaudited)*	Total	Share	Total	Share	Total	Share
First	$ 13	$ .11	$ 16	$ 13	$ 15	$ .13
Second	15	.12	13	.11	15	.12
Third	3	.02	3	.02	4	.03
Fourth	(22)	(.18)	(70)	(.59)	(3)	(.03)
Total year	$ 9	$ .07	$(38)	$(.32)	$ 31	$ .25

* LIFO expense/(credit) per share is computed based on fully diluted average shares outstanding during each period. The sum of quarterly LIFO expense per share may not equal the total-year amount due to the impact of changes in average shares outstanding.

The LIFO provision is adjusted each quarter for changes in estimates of retail inflation rates, inventory levels and markup levels. A final adjustment is recorded in the fourth quarter for the difference between the prior quarters' estimates and actual LIFO expense.

The fourth quarter 1992 LIFO credit was generated primarily due to a lower than expected internally-generated price index at Target. Adopted in 1991, this index captures the inventory valuation impact of lower retail prices resulting from Target's value-pricing strategy. The cumulative effect of this change and the impact for any year prior to 1991 was not determinable. Mervyn's and the Department Store Division use the Bureau of Labor Statistics' Department Stores Inventory Price Index to estimate inventory prices changes.

The higher 1992 LIFO provision as compared with 1991 was primarily due to a higher internal price index at Target, partially offset by lower inflation at Mervyn's and the Department Store Division. The substantial decrease in the 1991 LIFO provision compared with 1990 was due to Target's change to an internal price index and lower retail inflation rates at Mervyn's and the Department Store Division.

Management is responsible for the consistency, integrity and presentation of the information in the Annual Report. The financial statements and other information presented in this Annual Report have been prepared in accordance with generally accepted accounting principles and include necessary judgments and estimates by management.

To discharge our responsibility, we maintain comprehensive systems of internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based upon a recognition that the cost of the controls should not exceed the benefit derived. After judging the cost and benefit factors, we believe our systems of internal controls provide this reasonable assurance.

The Board of Directors exercises its oversight role with respect to the Corporation's system of internal financial controls primarily through its Audit Committee, which is composed of six independent directors. The Committee oversees the Corporation's systems of internal controls, accounting practices, financial reporting and audits to ensure their quality, integrity and objectivity are sufficient to protect shareholders' investments. Their report appears on this page.

In addition, our financial statements have been audited by Ernst & Young, independent auditors, whose report appears on page 33. As a part of its audit, Ernst & Young develops and maintains an understanding of the Corporation's internal accounting controls and conducts such tests and employs such procedures as it considers necessary to render its opinion on the financial statements. Their report expresses an opinion as to the fair presentation, in all material respects, of the financial statements and is based on an independent audit made in accordance with generally accepted auditing standards.

Kenneth A. Macke Chairman of the Board and Chief Executive Officer	Stephen E. Watson President

Henry T. DeNero Vice Chairman and Chief Financial Officer	Karol D. Emmerich Vice President, Treasurer and Chief Accounting Officer

March 19, 1993

The Audit Committee met twice during fiscal 1992 to review the overall audit scope, plans for internal and independent audits, the Corporation's internal controls, emerging accounting issues, officer and director expenses, audit fees and retirement plans. The Committee also met individually with the internal auditors and independent auditors, without management present, to discuss the results of their audits. The Committee encourages the internal and independent auditors to communicate closely with the Committee.

Audit Committee results were reported to the full Board of Directors, and the Corporation's annual financial statements were reviewed and approved by the Board before issuance. The Audit Committee also recommended to the Board of Directors that the independent auditors be reappointed for fiscal 1993, subject to the approval of the shareholders at the annual meeting.

March 19, 1993

Board of Directors and Shareholders
Dayton Hudson Corporation

We have audited the accompanying consolidated statements of financial position of Dayton Hudson Corporation and subsidiaries as of January 30, 1993 and February 1, 1992, and the related consolidated results of operations, cash flows and common shareholders' investment for each of the three years in the period ended January 30, 1993. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dayton Hudson Corporation and subsidiaries at January 30, 1993 and February 1, 1992, and the consolidated results of their operations and cash flows for each of the three years in the period ended January 30, 1993, in conformity with generally accepted accounting principles.

As discussed in the notes to the financial statements, in 1991 the Corporation changed its method of estimating retail price indices used in its LIFO inventory valuation for Target and in 1990 changed its methods of accounting for income taxes and postretirement health care benefits.

Ernst + Young

Minneapolis, Minnesota
March 19, 1993

SUMMARY FINANCIAL AND OPERATING DATA

Dayton Hudson Corporation and Subsidiaries

(Millions of Dollars, Except Per-Share Data)	**1992**	1991	1990	1989(a)	1988	1987	1986	1985	1984(a)	1983	1982
Income Statement Data											
Revenues	**$17,927**	16,115	14,739	13,644	12,204	10,677	9,259	8,255	7,519	6,518	5,286
Cost of retail sales, buying and occupancy	**$13,129**	11,751	10,652	9,890	8,980	7,950	6,778	5,977	5,462	4,709	3,774
Selling, publicity and administrative	**$ 2,978**	2,801	2,478	2,264	2,038	1,769	1,538	1,366	1,234	1,080	902
Depreciation	**$ 459**	410	369	315	290	231	183	158	145	123	99
Interest expense, net	**$ 437**	398	325	267	218	152	118	100	98	86	65
Earnings from continuing operations before income taxes	**$ 611**	472	659	678	472	399	494	518	453	416	358
Income taxes	**$ 228**	171	249	268	185	171	239	237	208	189	165
Net earnings: Continuing (b)	**$ 383**	301	412	410	287	228	255	281	245	227	193
Consolidated (c)	**$ 383**	301	412	410	287	228	310	284	259	246	207
Financial Position Data											
Working capital	**$ 1,450**	1,452	1,236	912	978	922	1,193	1,130	973	869	718
Property and equipment	**$ 5,563**	5,102	4,525	3,523	3,486	3,106	2,517	1,770	1,534	1,423	1,237
Total assets	**$10,337**	9,485	8,524	6,684	6,523	6,076	5,282	4,418	3,800	3,595	2,985
Long-term debt	**$ 4,330**	4,227	3,682	2,510	2,383	1,819	1,377	922	750	751	631
Convertible preferred stock	**$ 374**	377	379	379	–	–	–	–	–	–	–
Common shareholders' investment	**$ 2,486**	2,231	2,048	1,753	1,861	1,986	2,180	1,948	1,737	1,540	1,349
Per Common Share Data											
Fully diluted net earnings per share: Continuing (b)	**$ 4.82**	3.72	5.20	5.35	3.45	2.41	2.62	2.89	2.54	2.35	2.00
Consolidated (c)	**$ 4.82**	3.72	5.20	5.35	3.45	2.41	3.19	2.92	2.68	2.54	2.15
Cash dividend declared	**$ 1.54**	1.46	1.35	1.17	1.04½	.94½	.86	.78½	.69½	.62½	.57½
Market price – high	**$ 79⅛**	80	78⅛	66⅞	45½	63	58½	48¼	37¼	40⅛	32⅛
Market price – low	**$ 59**	56⅞	47	43	31⅞	21½	40	35¼	26⅛	26¼	13½
Common shareholders' investment	**$ 34.83**	31.31	28.82	24.73	23.97	23.15	22.38	20.04	17.90	15.91	13.98
Other Data											
Return on beginning equity (common shareholders' investment): Continuing (b)	**16.1%**	13.5%	22.1%	22.0%	14.5%	10.5%	13.1%	16.2%	15.9%	16.8%	16.1%
Consolidated (c)	**16.1%**	13.5	22.1	22.0	14.5	10.5	15.9	16.3	16.8	18.2	17.3
Average common shares outstanding (millions)	**71.3**	71.2	71.0	75.9	83.3	94.8	97.3	97.1	96.9	96.6	96.2
Fully diluted average common shares outstanding (millions)	**75.9**	75.9	75.7	76.6	83.3	94.8	97.3	97.1	96.9	96.6	96.2
Capital expenditures	**$ 938**	1,016	1,740	603	681	839	941	403	336	321	268
Number of stores: Target	**506**	463	420	399	341	317	246	226	215	205	167
Mervyn's	**265**	245	227	221	213	199	175	148	126	109	92
DSD	**63**	62	61	37	37	37	37	37	36	36	35
Total Stores	**834**	770	708	657	591	553	458	411	377	350	294
Total square footage (thousands)	**87,362**	80,309	73,769	65,191	58,596	55,028	45,890	42,051	38,956	36,602	31,422
Number of employees	**170,000**	168,000	161,000	144,000	128,000	134,000	111,000	98,000	101,000	94,000	85,000

The Summary Financial and Operating Data should be read in conjunction with the Financial Statements, Notes and Analysis on pages 21-33.
Per-share amounts and shares outstanding reflect two-for-one common stock split effective July 1983.

(a) Consisted of 53 weeks.
(b) Includes cumulative income effect of two accounting changes, net, of $2 million ($.03 per share) in 1990. Before extraordinary item in 1986.
(c) Includes gain on sale of B. Dalton Bookseller of $85 million ($.88 per share) and extraordinary charge of $32 million ($.33 per share) related to debt repurchase in 1986. Also includes discontinued operations of B. Dalton Bookseller for 1982-1986.

Directors

Rand V. Araskog, 61
Chairman and
Chief Executive Officer,
ITT Corporation
(diversified multinational company) (1) (3) (5) (6)

Robert A. Burnett, 65
Retired Chairman and
Chief Executive Officer,
Meredith Corporation
(media company engaged in printing, publishing, broadcasting and real estate) (1) (3) (4) (6)

Livio D. DeSimone, 56
Chairman and
Chief Executive Officer,
3M
(diversified manufacturer)
(1) (2) (5) (6)

Roger A. Enrico, 48
Chairman and
Chief Executive Officer,
PepsiCo Worldwide Foods
(A Subsidiary of PepsiCo, Inc.)
(food manufacturer) (1) (2) (3) (6)

Roger L. Hale, 58
President and
Chief Executive Officer,
TENNANT
(industrial equipment manufacturer)
(1) (3) (5) (6) (7)

Donald J. Hall, 64
Chairman,
Hallmark Cards, Incorporated
(greeting card manufacturer)
(1) (2) (4) (6)

Betty Ruth Hollander, 63
Chairman and
Chief Executive Officer,
The Omega Group, Inc.
(manufacturer of scientific measurement and control devices and systems, technical publishing, and industrial and commercial real estate development) (1) (3) (4) (6)

Michele J. Hooper, 41
President,
International Business Group,
Caremark International, Inc.
(health care company)
(1) (2) (5) (6)

Kenneth A. Macke, 54
Chairman and
Chief Executive Officer
Dayton Hudson Corporation (1)

Mary Patterson McPherson, 57
President,
Bryn Mawr College
(institute for higher learning)
(1) (2) (4) (6)

John R. Walter, 46
Chairman and
Chief Executive Officer,
R. R. Donnelley & Sons Company
(printing and printing-related services)
(1) (2) (4) (6)

Stephen E. Watson, 48
President,
Dayton Hudson Corporation
Chairman and
Chief Executive Officer,
The Department Store Division

(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee
(4) Corporate Responsibility Committee
(5) Finance Committee
(6) Nominating Committee
(7) Vice Chairman of the Executive Committee of the Board of Directors

Officers

Kenneth A. Macke*+, 54
Chairman and
Chief Executive Officer

Stephen E. Watson*+, 48
President

Henry T. DeNero*+, 47
Vice Chairman

James T. Hale*+, 52
Senior Vice President,
General Counsel and Secretary

Gerald L. Storch, 36
Senior Vice President,
Strategic Planning

Edwin H. Wingate*+, 60
Senior Vice President, Personnel

Ann H. Barkelew, 57
Vice President, Public Relations

Larry E. Carlson, 49
Vice President,
Research and Planning

Karol D. Emmerich*, 44
Vice President, Treasurer and
Chief Accounting Officer

L. Fred Hamacher, 54
Vice President,
Compensation and Benefits

William E. Harder, 60
Vice President, Law,
and Assistant Secretary

George C. Hite, 62
Vice President, Government Affairs

JoAnn Bogdan, 40
Controller

William P. Hise, 56
Assistant Secretary

Stephen C. Kowalke, 35
Assistant Treasurer

Jack N. Reif, 45
Assistant Treasurer

Operating Division Management

TARGET
Robert J. Ulrich*+, 49
Chairman and
Chief Executive Officer

MERVYN'S
Joseph C. Vesce*+, 44
Chief Executive Officer and President

DEPT. STORE DIVISION
Stephen E. Watson*+, 48
Chairman and
Chief Executive Officer

* Executive Officer
\+ Corporate Operating Committee Member

AT A GLANCE

- One of America's largest general merchandise retailers with revenues of $17.9 billion.
- More than 80% of revenues derived from discount and moderate-price retailing.
- Serves a wide range of consumers through 834 stores housing 87 million square feet of retail space in 33 states.
- Among America's 20 largest private-sector employers, with a workforce of 170,000.
- Largest commitment to community giving of any major general merchandise retailer with 1992 giving of $20.7 million. Only major retailer to invest five percent of its federally taxable income in social action and arts programs in store communities.

TARGET

TARGET

Target is a national discount store chain offering low prices on a broad assortment of high-quality fashion and basic hardlines and softgoods in easy-to-shop, assisted self-service stores. It has 506 stores coast-to-coast.

(Millions of Dollars)	1992	1991	1990
Revenues	$10,393	$9,041	$8,175
Operating Profit	$ 574	$ 458	$ 466
Stores	506	463	420
*Retail Square Feet**	52,211	47,086	42,241

MERVYN'S

MERVYN'S

Mervyn's is a moderate-priced department store chain specializing in trend-right active and casual apparel and home softlines. The division operates 265 stores in 15 states in the Northwest, West, Southwest, Southeast and Michigan.

(Millions of Dollars)	1992	1991	1990
Revenues	$ 4,510	$4,143	$4,055
Operating Profit	$ 284	$ 284	$ 366
Stores	265	245	227
*Retail Square Feet**	21,305	19,479	17,973

DEPARTMENT STORES

DAYTON'S

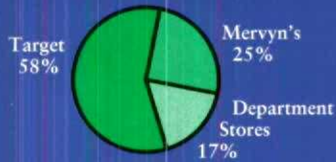
Marshall Field's

HUDSON'S

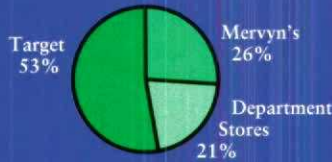
The Department Store Division operates 63 full-service, full-line department stores emphasizing fashion leadership, quality moderate to better merchandise, broad selections and superior customer service. It is comprised of three store groups in nine states: 19 Dayton's stores, 21 Hudson's stores and 23 Marshall Field's stores.

(Millions of Dollars)	1992	1991	1990
Revenues	$ 3,024	$2,931	$2,509
Operating Profit	$ 228	$ 168	$ 183
Stores	63	62	61
*Retail Square Feet**	13,846	13,744	13,555

**In thousands, reflects total square feet less office, warehouse and vacant space.*



PERCENT OF TOTAL
REVENUES



PERCENT OF TOTAL
OPERATING PROFIT

Total Stores: 834

Total Retail Square Feet: 87,362*

PERCENT OF TOTAL
RETAIL SQUARE FEET

TARGET LOCATIONS

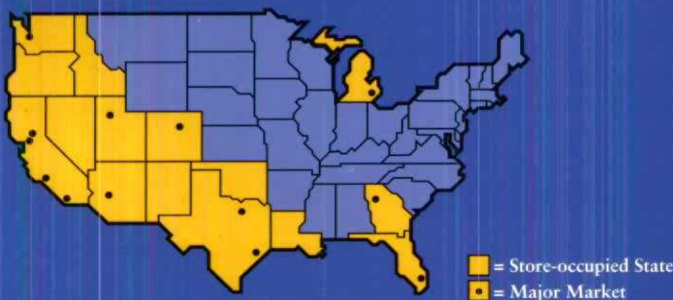
	Retail Sq. Ft. in thousands	*No. of stores*
Arizona	1,459	14
Arkansas	184	2
California	11,817	113
Colorado	1,888	18
Florida	4,107	38
Georgia	1,471	15
Idaho	309	3
Illinois	1,002	10
Indiana	2,498	29
Iowa	1,418	16
Kansas	305	3
Kentucky	559	6
Louisiana	202	2
Michigan	3,311	32
Minnesota	4,126	35
Missouri	841	8
Montana	183	2
Nebraska	499	5
Nevada	728	7
New Mexico	402	4
North Carolina	479	5
North Dakota	402	4
Ohio	809	7
Oklahoma	781	8
Oregon	828	8
South Carolina	297	3
South Dakota	211	2
Tennessee	1,298	13
Texas	6,060	58
Washington	1,721	17
Wisconsin	1,834	17
Wyoming	182	2
Total	*52,211*	*506*

Major Markets

Greater Los Angeles	60
Minneapolis/St. Paul	26
Houston	16
San Francisco Bay Area	16
Dallas/Ft. Worth	15
Detroit	15
Atlanta	14
Denver	12
Phoenix	12
San Diego	12
Southeast Florida	12
Indianapolis	9

Employees (at year-end): 99,000

MERVYN'S LOCATIONS



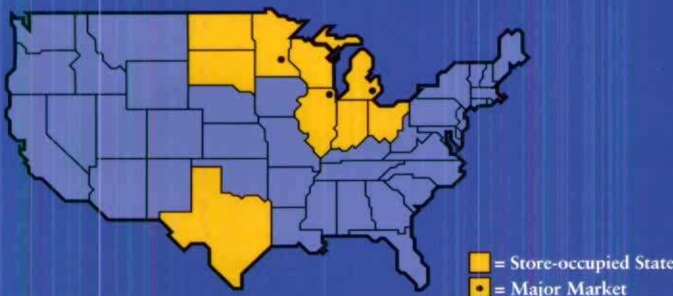
	Retail Sq. Ft. in thousands	*No. of stores*
Arizona	1,068	13
California	9,170	118
Colorado	849	11
Florida	1,634	18
Georgia	400	5
Idaho	83	1
Louisiana	538	7
Michigan	995	13
Nevada	412	6
New Mexico	180	2
Oklahoma	270	3
Oregon	479	6
Texas	3,330	41
Utah	531	6
Washington	1,366	15
Total	*21,305*	*265*

Major Markets

Greater Los Angeles	47
San Francisco Bay Area	22
Dallas/Ft. Worth	13
Southeast Florida	13
San Diego	10
Detroit	9
Houston	9
Phoenix	9
Seattle/Tacoma	8
Denver	6
Sacramento	6
Salt Lake City	6
Atlanta	5

Employees (at year-end): 38,000

DEPARTMENT STORE LOCATIONS



	Retail Sq. Ft. in thousands	*No. of stores*
Dayton's		
Minnesota	2,765	12
North Dakota	299	3
South Dakota	102	1
Wisconsin	349	3
Hudson's		
Indiana	246	2
Michigan	4,320	18
Ohio	187	1
Marshall Field's		
Illinois	3,944	15
Ohio	201	1
Texas	721	4
Wisconsin	712	3
Total	*13,846*	*63*

Major Markets

Chicago	14
Minneapolis/St.Paul	10
Detroit	9

Employees (at year-end): 33,000

**In thousands, reflects total square feet less office, warehouse and vacant space.*

DAYTON HUDSON CORPORATION
CORPORATE OFFICES: 777 NICOLLET MALL
MINNEAPOLIS, MINNESOTA 55402
(612)370-6948

ANNUAL MEETING

The Annual Meeting of Shareholders is scheduled for 9:30 a.m., Wednesday, May 26, 1993 at The Children's Theatre, Minneapolis Institute of Arts, 2400 Third Avenue South, Minneapolis, Minnesota.

10-K REPORT

A copy of the Form 10-K Annual Report, filed with the Securities and Exchange Commission for Dayton Hudson's fiscal year ended January 30, 1993, is available at no charge to shareholders. Write to Director, Investor Relations at the Dayton Hudson corporate offices.

DIVIDEND REINVESTMENT PLAN

The dividend reinvestment plan is a convenient way for Dayton Hudson shareholders to acquire additional shares of the Corporation's common stock through automatic dividend reinvestment or voluntary cash purchase. All registered holders of Dayton Hudson common stock may participate. For more information, write to First Chicago Trust Company of New York, P.O. Box 3506, Church Street Station, New York, New York 10008-3506.

TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSING AGENT

First Chicago Trust Company of New York

TRUSTEE, EMPLOYEE SAVINGS (401K) AND PENSION PLANS

First Trust National Association

STOCK EXCHANGE LISTINGS

(Trading symbol DH)
New York Stock Exchange
Pacific Stock Exchange

SHAREHOLDER ASSISTANCE

For assistance regarding individual stock records, lost certificates, name or address changes, dividends or tax questions, write to First Chicago Trust Company of New York, P. O. Box 3981, Church Street Station, New York, New York 10008-3981 or call 1-800-446-2617.

Design: Little & Company; Printing: Litho Specialties; Photography: Cindy Charles, cover, page 8; Steve Niedorf cover, pages 4, 5, 6, 8, 9, 10, 11, 12, 13; Steve Schneider, pages 4, 10, 12; Steve Woit, page 2.

Printed entirely on recycled paper containing a minimum of 10% post-consumer waste.

© Copyright 1993 Dayton Hudson Corporation